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Number of pages: 330

Egypt. Nationalization of the Suez Canal

276

FILE No. TS 163/4/7/3/3

COMMONWEALTH OF AUSTRALIA

DEPARTMENT OF EXTERNAL AFFAIRS

DEAT ARCHIVES
FILE CENSUS

05 APR 1988

Signature

Geo Vooch

TOP SECRET

SUBJECT

EGYPT.

CLOSED

Nationalisation of the Suez Canal.

R.P.

PREVIOUS FILE:

NEXT FILE:

214/4/7/3/3 T.S.

RELATED PAPERS

FILE No.

SUBJECT

163/4/7/3/3A. Press Reaction.

163/4/7/3/3B. Brief

CLOSED

Department of Defence

Attachment A to

PC85-20344

// April 1990

STATEMENT OF REASONS PURSUANT TO SECTION 40 OF THE ARCHIVES ACT
1983

Details for exemption

Exemptions are claimed in respect of the following:

Folios: 8-10; 38-40; 44-54; 14A and copy at 37
(paras 6-9 inclusive)
File: ANZUS Military Reps Meeting - Melbourne Jan
1956
Item: 57-4253
Series: A1209

Folio: 126; 144-146; 151-160
File: Australasia - Including Exchange of Staffs
with New Zealand
Item: DL47-5-3
Series: A1068

Folios: 220-229
File: Egypt - Nationalisation of the Suez Canal
Item: 163-4-7-3-3
Series: A1838

Grounds for exemption claimed:

s.33(1)(a)

Information or matter the disclosure of which under this Act
could reasonably be expected to cause damage to the security,
defence or international relations of the Commonwealth.

The facts and evidence on which the decision is based:

The documents contain information communicated to or shared with the Australian Government by a foreign government. This information remains properly security classified.

Reasons for the decision:

The foreign government has asked that such information not be released publicly. The public release of this information could reasonably be expected to cause damage to security, defence and international relations.

Grounds for exemption claimed:

s.33(1)(b)

Information or matter communicated in confidence by or on behalf of a foreign government, an authority of a foreign government or an international organization to the Government of the Commonwealth, to an authority of the Commonwealth or to a person receiving the communication on behalf of the Commonwealth, being information or matter the disclosure of which under this Act would constitute a breach of that confidence.

The facts and evidence on which the decision is based

The documents contain information communicated to the Australian Government by a foreign government in strict confidence. Such information is still afforded security protection in the originating country.

Reasons for the decision

The public disclosure of such details would provide a breach of confidence in respect of a foreign government, with detrimental effect on international relations of the Commonwealth.

~~SECRET~~ SECRET

FILE NO. 163/4/1, 75.

SUBJECT: *Naturalisation of Suez Canal*

RECORD OF TRANSFER OF FILE

NAME	DATE RECEIVED	NAME	DATE RECEIVED	NAME	DATE RECEIVED
<i>Mr Billington</i>	<i>31/7/56.</i>				
<i>Mr Nelson</i>	<i>11. 3. 58.</i>				
<i>F.</i>	<i>11. 3. 58.</i>				
<i>Mr Nelson</i>	<i>2. 5. 58</i>				
<i>F.</i>	<i>5. 5. 58.</i>				
<i>Mr Nelson</i>	<i>6. 5. 58</i>				
<i>F.</i>	<i>6. 5. 58</i>				
<i>Mr Holland</i>	<i>18. 4. 60</i>				
<i>JR Compton</i>	<i>7. 9. 64</i>				
<i>F</i>	<i>17. 11. 64</i>				

SECRET

SECRET

163/4/7/3/3

Mr. Kwin
Personal message dated the 2nd May, 1957
to Mr. Casey from Lord Home

S U E Z

You may like to have some further indication of the lines on which we are thinking on Suez. SCUA is meeting again today. The first meeting two days ago went well. There was general agreement that the Egyptian Memorandum was not such as to command the confidence of users as a basis for a permanent settlement. Most members felt that further clarification or negotiation should be sought. Lloyd put it quite definitely that in our view the point in the Egyptian proposals which most needed early clarification was whether or not the Egyptians considered themselves entitled unilaterally to withdraw or amend them. If the Egyptians would agree that their proposals should not be withdrawn or amended except by agreement that would make it easier to acquiesce in them as a de facto basis for using the Canal. Our view was that the Security Council was the place where this matter should be broached.

Lloyd has since had a talk with Dulles at Bonn. Dulles has doubts (which at today's meeting were shared by the majority of those SCUA members who expressed an opinion) about the value of another Security Council meeting immediately. He thinks it would be better to hold the possibility of a meeting over the heads of the Egyptians rather than actually to have one. On Dulles' suggestion we are therefore instructing Dixon to write today to Lodge, as President of the Security Council, saying that in view of the fact that the Egyptian Delegate has made no reply to the arguments put forward at last week's meeting he may be requesting a further meeting in order to hear the Egyptian Government's reply to the points put forward.

SECRET

2. SECRET

It was the clear view of a large majority in SCUA that sooner or later the Egyptian proposals would have to be accepted as a de facto arrangement. When the ships of competitors begin to go through ours will have to be allowed to go through. The question will then arise as to the currency in which dues are paid. It is clearly most important to avoid paying in dollars or Swiss francs. 328
Apart from any question of loss of face it would be a major blow to sterling as a currency as well as likely to have the most damaging repercussions in the Middle East oil States. Therefore the discussions between the Bank of Egypt and the Bank of England which we hope will begin in Basle on Friday are vital. Until they are over we want to hold the situation.

SECRET

SECRET

S E C R E T

Personal message dated the 2nd May, 1957
to Mr. Casey from Lord Home

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SECRET

Australian Delegation,
GEIHANKAN.
TOKYO. JAPAN.

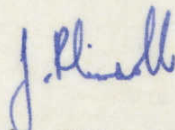
15th April, 1957.

325

I am attaching a copy of a message to Mr. Macmillan
from Mr. Menzies, replying to the message which you passed
to him this morning.

It would be appreciated if you could have this sent
to Mr. Macmillan.

Yours sincerely,



(J. Plimsoll)

His Excellency
Sir Esler Dening, G.C.M.G., O.B.E.,
British Embassy,
TOKYO. JAPAN.

MESSAGE TO MR. HAROLD MacMILLAN from Mr. Menzies.

Thank you for your message of 13th April. I believe it is essential that responsibility for handling Suez be left clearly with United Nations at this point. United Nations took up matter when United Kingdom was ready to deal with Nasser and it should not shuffle off its responsibilities now. Whoever negotiates with Nasser should be appointed by United Nations and speak on their behalf. The Australian Representative to the United Nations has been instructed to co-ordinate closely with the United Kingdom Representative.

324

TOKYO

15th April, 1957.

CABLEGRAM For Casey

From Menzies.

My following telegram contains text of message I have
sent to MacMillan tonight. I agree with you (para.8 of your
telegram No.110) that we must stick with Britain in this
question even if we do not always like everything they propose
and I would be glad if you would instruct Walker accordingly.

323

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TOKYO

15th April, 1957.



BRITISH EMBASSY,
TOKYO.

TOP SECRET.

14th April, 1957.

321

My dear Prime Minister,

I have just received a telegram from Mr. Harold Macmillan of which I attach a copy. As you will see it is of considerable urgency, and it is also marked "Top Secret". In the circumstances I am sending this by a member of my staff who will fly to Osaka and, if that is possible, return with any reply which you may wish to send.

Yours sincerely,

Ester Denning

The Right Honourable Robert Menzies, P.C., C.H., Q.C.,

EMERGENCY
CYPHER/OTP
TOP SECRET

FROM: FOREIGN OFFICE

TO: TOKYO

320

Telegram No. 187 of April 13.

Addressed to Tokyo telegram No. 187 [of April 13]. Repeated for information to United Kingdom High Commissioner, Canberra.

Please pass following personal message to the Australian Prime Minister from the Prime Minister.

We are approaching a critical stage in our efforts to obtain a satisfactory arrangement for the Suez Canal. Since in all this you yourself have played a staunch and splendid rôle, I thought I should like to let you know at this point how I see the position.

2. We entirely share Australian views on the shortcomings of the Egyptian Draft Declaration. The Americans with our approval have been trying to see what scope there is for improving it and bringing the Egyptians to negotiate with the users. The Canal is now cleared. Although our policy of holding off has been followed by a number of governments and comparatively few ships are yet using the Canal, the effect of this temporary expedient really depends on shipping conferences where there is a strong feeling that their ships can continue to hold back only for a very short time. Our own shipowners are very conscious of the fact that their competitors are already accepting cargoes for delivery via the Canal which they themselves are prevented from doing (by H.M. Government's advice and by our present currency restrictions).

3. In this situation I have strongly urged the Americans to bring their exploratory talks in Cairo to a decisive point at once; then, if Nasser's final reply is unsatisfactory, we can proceed with the next step.

4. This, as you know, is recourse to the Security Council - the only course open to us (short of a boycott, which could not be complete or decisive and would cause great dislocation to our economy).

5. Mr. Dulles himself proposed an American initiative in the Security Council, and this I regard as preferable to a joint initiative involving ourselves, as an interested party. Our delegations in New York will be in close touch.

6. The tactics which the Americans intend to pursue are to report to the Security Council on the Cairo talks, and seek to bring pressure to bear on Egypt to continue the negotiations with a group of users or with the United States on their behalf. Resolutions, which could be vetoed, would be avoided. We should hope that would cause early discussion on the desirability of an interim arrangement to permit shipping to use the Canal. What interim arrangements could be made if any we do not know. We should, of course, prefer it to be the plan put forward by the United States, France, Norway and ourselves. But it might have to be the payment of tolls to the Egyptian Canal Authority, without prejudice to existing legal rights or the terms of the future settlement.

7. On timing we have urged the Americans to arrange for discussions in Security Council not later than April 17. Mr. Hare saw Nasser on April 10 and the full results of the latest position in which Egyptians claim to have met some of the American points (but not the objection to a unilateral instrument and the exclusion of user cooperation) is expected hourly. 319

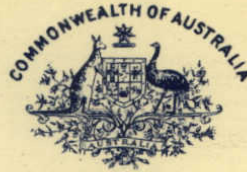
8. By way of preparation, our delegation to S.C.U.A. Executive Group yesterday put forward a suggestion that member governments should advise their shipowners that when the time comes to go through the Canal any payment made direct to the Egyptian authority should be under protest and without prejudice to existing rights or the terms of a final settlement. This, of course, will have to be put to the Council of S.C.U.A. and the timing must be made to correspond with discussions in the Security Council. As you can imagine from the point of view of the British Government we are anxious neither to take the lead in what may seem a surrender in the short term, nor to get ourselves into the hopeless position of trying to operate a boycott which cannot be made watertight. All this will need rather delicate handling.

9. As you probably know, we also have a rather difficult question about how British shipowners are to pay in sterling. We are studying this and will let you know our plans as soon as we can. Here again the timing is important if it involves arrangements between the Bank of England and the Bank of Egypt. As soon as any attempt to make such arrangements is known, of course, Nasser will publish it. It is not an easy hand to play but it is a great deal to have the Americans working with us again. I believe they do now realise that Nasser is no good.

10. You will probably have seen the latest news about Anthony. I spoke to him on the telephone yesterday and he seemed in very good heart.

11. I am asking the High Commissioner in Canberra to let Casey know of this message.

S.O.S.F.A.



PRIME MINISTER'S DEPARTMENT,

CANBERRA,

SECRET
PERSONAL

In reply quote No.

21st March, 1957.

318

Dear Mr. Tange,

We are still sorting out papers and messages in which the Prime Minister has been involved in the past week or so. I now attach copies of two which, as far as I know, have not yet been given to Mr. Casey or yourself. They are -

- (a) A message from the Prime Minister to the Prime Minister of the United Kingdom in relation to the Bermuda agenda.
- (b) A message from Mr. Selwyn Lloyd to Lord Home, with a covering letter by the United Kingdom High Commissioner on the subject of the Suez Canal.

Yours sincerely,

E. J. Bunting

(E.J. Bunting)

A.H. Tange, Esq., C.B.E.,
Secretary,
Department of External Affairs.

Recd 21/3/57

SECRET

COPY

CABLEGRAM to --- PRIME MINISTER OF UNITED KINGDOM
from -- PRIME MINISTER OF AUSTRALIA

Your agenda for your talks with Eisenhower is certainly comprehensive. At this end, we have just had frank talks with Dulles, the substance of which I have reported to Alex Home. 317

With Home and Boyle we have had extremely good Anglo-Australian defence talks which I am sure will clear the ground considerably.

Two points emerge from my talks with Dulles, about which I think I should say something to you.

The first concerns the future utilisation of the United Nations having regard to the vital interests of the Western Powers. On this I told Dulles very bluntly that we were nervous about the recent assumption that the General Assembly of the United Nations could make decisions and could order people about. I pointed out that in the General Assembly the Soviet and its satellites and the Afro-Asian group had a most formidable total vote. They had, in effect, ordered Great Britain and France out of Egypt; the day would undoubtedly come when they would order Australia out of New Guinea. "What", I said, "is the legal authority for this development?" Dulles replied that the Assembly had no executive authority; it could recommend a course of action to member nations; and they could please themselves as to whether they accepted the recommendation or not. To this, I replied by a question: "Suppose the General Assembly makes a recommendation badly regarded by the United States, will the United States act on it?". To this the answer was "no".

I then pointed out this confirmed the belief I had had for many years that effective action under the United Nations depends upon the Great Powers and that the Great Powers accordingly ought to get together to concert their own policies rather than have them out-voted by a lot of small powers in the United Nations.

Dulles takes the view that I exaggerate the dangers of "bloc" voting in the General Assembly, relying for his view upon his belief that Great Powers still have a great deal of influence over the small ones. Naturally, I at once applied this doctrine to Egypt and asked him what his attitude was towards a permanent settlement of the Canal issue and of the Israel-Egypt dispute. On these matters my estimate

Recd 2/1/57

Shuncho Minister 44 X

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2.

is that Dulles is not frightfully happy and that you may be seizing the psychological moment to put pressure upon a somewhat repentant America. Dulles assured me that America was quite willing to keep up the pressure on Nasser by all means within its power. But he professed to be puzzled to discover the attitude of the Government of Great Britain. He said that, at one moment, your Government appeared to want to put pressure on Nasser for the purpose of getting rid of Nasser. At another time, your Government appeared to want to use pressure in order to secure a bargain with Nasser about the Canal which would be satisfactory all round. 36

I told Dulles that I did not believe it practical politics to make a bargain with Nasser and thereafter take steps to undermine him and that I did not believe this was your view. "Nobody", I said, "could prophesy whether Nasser's successor would be better or worse than himself". I thought that the main object was to maintain all pressures to secure a proper arrangement about the future of the Canal and, having secured it, to honour it.

Dulles said he would agree with this. He went further and said that his Government would maintain the pressure whichever might be the objective but that he had experienced difficulty in discovering what the United Kingdom Government had in mind. This is, no doubt, a matter which you could clear up with him.

By and large, my impression is that the Americans are having second thoughts and that they are becoming conscious of some of your problems.

Eisenhower has a deep faith, far surpassing mine, in the United Nations. I would, therefore, think that you have to meet him on that footing. The error that he has made, in my judgment, is in thinking that taking issues to the United Nations is in itself a substantive foreign policy. I would urge that you devote your great talents to hammering into his mind that America must have its own foreign policy and that it must do its utmost to persuade the United Nations to adopt that policy; and that, if the United Nations shows a tendency to go wrong, America should not meekly accept that but marshal all its powers to persuade the United Nations to go right.

SECRET

SECRET

3.

You will be interested to know that I had some lively exchanges with Dulles about the United States' attitude towards the Anglo-French action in Egypt. I asked him quite plainly whether, if Communist China attacked Formosa, he would take the matter to the United Nations' General Assembly or order the American fleet into action. He replied that America's military obligations would be instantly honoured without reference to the United Nations. I then said: "No doubt this is because you regard the integrity of Formosa as a vital American interest". He said: "Yes, plus of course the fact that we have a treaty with them". I then pointed out that as the Suez Canal was at least as much a vital interest to Great Britain and France, the American attitude would appear to depend on whether you had made a treaty or not. "The moral", I said, "would seem to be that we all ought to get busy making treaties so that we will not be subject to a veto either in the Security Council or the General Assembly."

The whole thing is, of course, very odd and lends itself to the most confusing sophistries. Our only escape from this fog of false legalisms (which are so dear to the Department of State) is to get the Americans to understand that, in the long run, the great nations who are friends keep the peace by remaining friendly or provoke war by quarrelling with each other.

This, my dear Harold, is all elementary to you but it does me good to set it down with my warmest good wishes.

CANBERRA.

16th March, 1957.

SECRET

SECRET

12th March, 1957.

My dear Prime Minister,

Lord Home has asked me to send you the attached copy of a telegram which he has just received from the Secretary of State for Foreign Affairs. He is seeing Mr. Dulles before the meeting of the SEATO Council this morning and intends to warn him that he will wish at some later time to speak to him about Suez. Lord Home would be grateful if you would let him know if you think it would be more effective to approach Mr. Dulles individually or at a joint meeting.

Yours sincerely,

(Sgd.) Carrington.

The Rt. Honble. R.G. Menzies,
C.H., Q.C., M.P.

SECRET

Text of message dated 11th March, 1957 to
Lord Home from Mr. Selwyn Lloyd

Suez Canal

3/3

In the course of our talks in Paris the Prime Minister and I agreed with the French that as soon as the Egyptian attitude to the Four Power proposal for an interim agreement on Canal dues was known we and they would approach the United States Government to ascertain their reaction and to urge them to take as strong a line as possible.

2. There is no official news yet of Colonel Nasser's reply, though Press reports from Cairo suggest that it is likely to be negative. I have telegraphed to New York for the latest news. Meanwhile I think it would be most useful if you could have a talk with Mr. Menzies with a view to your trying together or separately to find out what is in Mr. Dulles's mind.

3. I assume he would agree with us that our objective is to establish conditions in which there is a good chance of negotiating a final settlement for the Suez Canal in accordance with the Security Council Resolution of the 13th October and the Secretary General's letter of the 24th October to the Egyptian Foreign Minister. But if Egypt secures all her requirements in advance she will have little incentive to make concessions to the interests of the users or even to conduct the final negotiations with any serious intention of bringing them to a reasonable conclusion. It therefore seems essential that she should not obtain complete control over the dues when the Canal

is reopened. It was to prevent this that the Four Power plan was devised.

4. The question now is what action we can take if as seems probable the Four Power proposal is rejected by Egypt. The strongest measure open to us is a boycott of the Canal. This however is subject to two disadvantages 312

(i) to be effective it would have to be general.

This means in particular that some way would have to be found of preventing transit of the Canal by ships owned or chartered by American companies but sailing under Panamanian, Liberian and similar flags.

If a boycott were not observed by these ships others would follow suit and it would crumble away.

(ii) even if the boycott were successfully organised, Nasser might hold out against it and its prolongation would be very harmful to the interests of a large number of countries in Europe and Asia, particularly if the Syrians co-operated with him by blocking the pipe line again.

5. Short of a boycott the use of other means of pressure seems to depend primarily on the United States Government. They could continue to block Egyptian accounts and refuse all forms of economic or financial aid for as long as the Canal issue remained unsettled. They could probably encourage plans for building larger tankers and new pipe lines. It might at the same time be possible to reduce the volume of shipping through the Canal by measures

/falling

falling short of a formal boycott. Or Mr. Dulles may be considering other measures directed to the same end.

6. The United States Government was largely responsible for getting us into the very awkward situation which now confronts us by insisting on an unconditional withdrawal and I think it is fair to ask Mr. Dulles what he proposes to do about it.

311

Top Secret
File

16314/7/3/3

SECRET

SUEZ

29th

The Suez Canal was nationalised on 27th July, 1956. The Israelis attacked on 30th October, 1956. The British and French intervened on 1st November, 1956.

Mr. Menzies was away from Australia from 27th May, 1956, when he went to the Prime Ministers' Conference in London until 18th September, 1956. (It will be recalled that on the way home to Australia he decided to return to London.)

Mr. Casey was away from Australia from 12th to 28th August, 1956. The 18-power conference occurred during this time. (The Cairo mission was in early September.)

3/0

Thus any consultation between Sir Arthur Fadden, Mr. Casey and Dr. Evatt would have been in the period 27th July 1956 - 12th August 1956 and 28th August 1956 to 18th September 1956. The first of these two periods is geared to Western reactions to Suez-nationalisation; during this time Sir Anthony Eden and Lord Home referred in the telegrams to the possible use of force against Egypt. The second of the two periods is geared to the aftermath of the London talks, to the Menzies mission to Cairo and to the Prime Minister's return to London. In this second period, references were still being made in the cables to the use of force.

There is no record on our files, including ExComms' files, of telegrams having been passed to Dr. Evatt in the two periods mentioned. Mr. Gardner has no knowledge of which telegrams, if any, were shown to Dr. Evatt by Mr. Casey, but is pretty sure that there were conversations on the subject of Suez at Parliament House. It seems that if anything were done, it would have been on a private informal basis in Parliament House.

Later on, after the intervention (and after the two periods abovementioned) a set of telegrams was given on the Prime Minister's instructions to Dr. Evatt. These did not go beyond confidential.

SECRET

CABLEGRAM.

TOP SECRET

COPY NUMBER 6

BK:HMCC

I.17586

Dated: 14th December, 1956.
1709Rec'd: 15th December, 1956.
0830

FROM:-

Australian High Commission,
L O N D O N.3384. TOP SECRET.

Menzies from Harrison.

I called on Butler yesterday and we talked about the Middle East. Much of what he said is known to you but on the matter of future control of Canal he said that whilst their present position was that they would require guarantees or their equivalents stated in the 18 Power proposals, they had discussed with French a proposition for settlement somewhere between the 18 Power proposals and the six points reached in Security Council discussions. It might not be so much along lines of "Landlord and Tenant" as a form of international arbitration, which would take out of the hands of Nasser authority on vital matters including those relating to major financial questions. At this point in our talk he said your work would not be wasted.

On the question of reasons for cease-fire he said that confidentially their main (not their only) problem was that whilst their central objective had been to cut back Nasser, their intervention had been justified to the world on the grounds of hostilities between Egypt and Israel and when those hostilities ceased they had no defensible reason for going on particularly as they found, apart from Australia and New Zealand, world opinion was against them. They had expected Israel to press on and not to promptly accede to the call for cease-fire.

Apart from pressure to which they were being subjected their decision to modify their conditions for withdrawal was influenced to an important degree by the strain on their finances. There was a run on a stage much greater than had even yet been disclosed and the cost of their operations was becoming extremely heavy. This finally swung McMillan over on the issue of withdrawal.

When I was leaving he asked me to convey to you his personal appreciation for your help throughout. He appeared weary and showed evidence of strain.

PRIME MINISTER
MIN. & DEPT. E.A.
SIR. ALLEN BROWN

15th December, 1956.

SEC MR. KEVIN MR. WALLER MR. LANDALE MR. QUINN

Sup? File
TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS

TOP SECRET
INWARD CABLEGRAM. COPY NUMBER 13

JG:HP

I.13448

FROM:

Dated: 10th October, 1956.

2353

Rec'd: 11th October, 1956.

2130

Australian Mission to United Nations,
NEW YORK.

636. TOP SECRET. PRIORITY.

For the Minister from Walker.

Suez and Israel.

The United Kingdom Delegation have asked me to report to you by separate top secret telegram that at the Meeting on 9th October with the Secretary-General, Pineau and Fawzi, Lloyd raised the matter of Israel shipping and told Fawzi that any new agreement must clear this matter up. Lloyd told Fawzi that in his view there might be two ways of doing this:-

- (1) Send an Israeli ship through the Canal as a test case under the new system and the Egyptians would apply the new procedures to it, or
- (2) question of Israeli shipping and Canal might be referred to I.C.J.

2. I am reporting above separately as requested but it should be read in context of my telegram 635 setting out details of this conversation with Fawzi, between paragraphs H and I thereof. The United Kingdom Delegation are apprehensive lest it became known that solution of Israeli shipping is part of the current discussions making it much more difficult for Fawzi to reach agreement.

Min. & Dept. External Affairs.
Sir Allen Brown(P.M.'s)

12th October, 1956.

SEC MR. PLIMSOLL MR. FORSYTH MR. WALLER MR. KEVIN MR. RENOUF
MR. QUINN MR. LAWREY MR. LANDALE

TOP SECRET

CABLEGRAM.

TOP SECRET

COPY NUMBER 18

HP:VA

I. 12596

Sent: 23rd September, 1956
1650
Rec'd: 24th September, 1956
1415

FROM:

Australian Mission to the United Nations,
NEW YORK.

307

547. TOP SECRET. PRIORITY.

Addressed Canberra, repeated Washington 355.

My 546.

Following further comments on the conversation with
Dixon are specially confidential.

2. The original intention of the United Kingdom was to lodge the request yesterday afternoon. Action was deferred until today only when Dixon pointed out to London the impossibility of informing Dulles in advance if the request were delivered yesterday.

3. Dixon said he does not know the source of the reports (apparently highly secret) regarding Soviet intentions. From his reference to United Kingdom political situations and the growth of public opinion in favour of reference to the United Nations I am inclined to doubt whether Soviet intentions were the main factor in the decision. However, Dixon did say that the political position of the United Kingdom Government would be extremely weak if the United Kingdom only went to the Security Council when the Soviet forced her.

4. Dixon personally considers reference to the Security Council without an agreed plan of campaign or a clear idea of objectives is extremely dangerous and bound to be difficult but the situation may be clearer when he receives further instructions.

... Walker.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
SIR ALLEN BROWN
PROFESSOR K.H. BAILEY

24th September, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN DR. WYNES
MR. RENOUF MR. LOOMES MR. LANDALE

TOP SECRET

TOP SECRET

COPY NUMBER ¹³

DEPARTMENT OF EXTERNAL AFFAIRS.

HP:HMCC

CABLEGRAM.

I.12543

Dated: 21st September, 1956.
1619
Rec'd: 22nd September, 1956.
0930

FROM:-

Australian Embassy,
WASHINGTON.

982. TOP SECRET. IMMEDIATE.

306

Treasury from Bury.

Special meeting of Fund Board has been summoned for 1730 hours 22nd September to consider application for gold tranche drawing of 15 million dollars by Egypt. Clearly Fund could not refuse and survive as an International Financial institution. Southard has been authorised to approve, but Harcourt may abstain.

TREASURER & TREASURY
P.M'S.

22nd September, 1956.

SEC A/Ss

TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER.....20

OUTWARD CABLEGRAM. 12290

BGH:VA

Sent: 13th September, 1956
1830

TO:

Australian High Commission,
LONDON.

2118. TOP SECRET. EMERGENCY.

For Menzies from Fadden.

The full Ministry today considered United Kingdom proposal for an organisation of Suez Canal users which we received in broad outline from United Kingdom High Commission early this morning with expression of hope that the Australian Government would give public support to the plan.

There was unanimous agreement that we should support the concept of this plan and indicate so publicly. As United Kingdom, France and United States are all committed, the immediate need appears to be to rally as wide a degree of international support as possible and as quickly as possible.

At same time, Cabinet was mindful that we have been given only barest idea of what is involved. As far as membership of new organisation is concerned we presume Australia will be asked to join as a "user" in regard to trade but not as to ownership of shipping but an immediate decision on this point does not appear to be called for.

However, before we commit ourselves on support for this idea we would like your urgent opinion. Would it be possible to cable reply immediately for arrival here 9 p.m. or thereabouts tonight. We would be glad of elaboration of the United Kingdom proposal.

- - - - -

A/PRIME MINISTER
MIN. & DEPT. E.A.
SIR PHILIP MCBRIDE
SIR FREDERICK SHEDDEN
MR. E.J. BUNTING

14th September, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

TOP SECRET

TOP SECRET

DRAFT TELEGRAM.

For Menzies from Fadden.

344P

Cabinet today considered U.K. proposal for an organization of Suez Canal users which we received in broad outline from U.K. High Commission this morning. There was general agreement that we should support this plan and indicate so publicly. As U.K., France and U.S. are all committed, the immediate need appears to be to rally as wide a degree of international support as possible. At same time Cabinet was mindful that we have been given only barest idea of what is involved. Details of operational functions have not been set out. We know that new organization will provide pilots but many other functions such as responsibility for dredging are not clear to us. Moreover, we do not know what Australia is committed to if Nasser refuses to allow operations of new organization and whether U.K. (and U.S.A.) contemplates resort to U.N. or something stronger. As far as membership of new organization is concerned we presume Australia will be asked to join (being a "user" in regard to trade but not shipping) but an immediate decision on this point does not appear to be called for. Subject to your views Cabinet has authorized me to indicate publicly that Australia will support the plan but I shall not do this before hearing from you. We would be glad of some elaboration of U.K. proposal particularly as regards functions for new organization as you will appreciate some interdepartmental consideration should be given to it and its possible consequences.

*Later please discuss
deputy
as for*

*Later please discuss
deputy
as for*

TOP SECRET

TOP SECRET 20

DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER.....

VLA:

OUTWARD CABLEGRAM.

Sent: 13th September, 1956
1829

TO:

Australian High Commission,
WELLINGTON.

303

285; TOP SECRET. IMMEDIATE.

McIntosh spoke to Flimsoll on telephone this afternoon about Suez Canal and asked to know results of consideration today by Australian Cabinet.

Immediately following telegram contains text of message sent this afternoon to Mr. Menzies in London. Please pass copy to McIntosh before New Zealand Cabinet meets for information of himself and Government.

- - - - -

A/P.M.
MIN. & DEPT. E.A.
SIR PHILIP MCBRIDE
SIR FREDERICK SHEDDEN
MR. E.J. BUNTING

14th September, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

TOP SECRET

COPY NUMBER 20

DEPARTMENT OF EXTERNAL AFFAIRS.

BH/BH

OUTWARD CABLEGRAM.

Sent: 13th September, 1956.
1832.

TO:

Australian High Commission,
WELLINGTON.

286.

TOP SECRET.

EMERGENCY

Take in text of Canberra Cable to
London 2118. (O.12290).

A/G PRIME MINISTER
MIN. & DEPT. E.A.
SIR PHILIP McBRIDE
SIR FREDERICK SHEDDEN
MR. E.J. BUNTING.

13th September, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

EXTERNAL AFFAIRS.

TOP SECRET

File No.....

Date 13th September, 1956

SUBJECT

SUEZ CANAL

FOR THE MINISTER

ACTING SECRETARY

.....

301

The United Kingdom Government have asked that the Australian Government give public support to their plan, which is backed by the United States and France, to set up a "Users" Association (which other principal users will be invited to join), and which will "make arrangements for the co-ordination of traffic through the Canal, the provision of pilots and the exercise of other rights, and will collect the transit dues payable by the nationals of its members." The United Kingdom request states that "Egypt will be called upon to co-operate and will be entitled to appropriate payment for facilities incurred by her." The terms of the British request are attached.

2. If the Australian Government agrees to the United Kingdom request there are several points which we should bring to the notice of the United Kingdom:

- (a) how do they propose to interpret "user?" Is it intended that Australia, which has no merchant ships of its own passing through the Canal, should be asked to join the proposed Association?
- (b) on what basis will transit dues be charged - on a flag owning basis or a cargo basis?
- (c) what rates of transit dues are envisaged?
- (d) what will be the point of collection and how will the transit dues be disposed of?
- (e) will the Association be incorporated as a national company anywhere? What will be its juridical status?
- (f) will transit dues be insisted upon or will they take the form of voluntary contributions? If the United Kingdom insists upon payment of dues, this may be regarded as being in breach of the Constantinople Convention.
- (g) inasmuch as the United Kingdom presumably regards the Concessions as being still in force, they should hold themselves bound by the provisions of those Concessions which relate to the payment of dues. In its collection of dues, therefore, the new "Users" Association should express itself as acting as agent for the Suez Canal Company, and it should seek an agency delegation from the Suez Canal Company.
- (h) should not payment by shipping companies made to the "Users" Association be expressed as payment for services rendered (e.g. for the provision of pilots) rather than as transit dues? This might avoid the above question regarding -

TOP SECRET

/ (i) the

- 2 -

- (i) the legality of imposing dues, and
 - (ii) the need for the new "Users" Association to act as agent for the Suez Canal Company.
- (i) what obligation does the Convention impose upon Egypt as regards the day to day maintenance of the Canal and its essential facilities. Article 11 of the Convention requires the parties, including Egypt, not to interfere or obstruct the working of the Canal; by Article 111 the parties, including Egypt, undertake to respect the plant, establishments, buildings and works. Under Article 114 Egypt undertakes "to take the necessary measures for ensuring the execution" of the Conventions. It is doubtful whether these provisions require Egypt to take positive day to day measures to maintain the Canal. 300
- (j) what forms of co-operation by Egypt are necessary to the new "Users" Association? Can it operate without that co-operation in such matters as the formation of convoys, data on channels, etc.

(J.C.G. KEVIN)
Assistant Secretary

MESSAGE NUMBER (SYDNEY 5083) (MELBOURNE 1119)

TO: MINISTER, MELBOURNE

ACTING SECRETARY, E A, SYDNEY

FROM: KEVIN.

DRAFT DECLARATION
- CANAL USERS
ASSOCIATION

FOLLOWING IS DRAFT TEXT OF THE DECLARATION SETTING UP
PROPOSED USERS' ASSOCIATION AND OF THE STATUTE FOR THE ASSOCIATION.
BROAD LINES OF THESE DOCUMENTS HAVE BEEN AGREED WITH UNITED STATES
AND FRENCH GOVERNMENTS BUT TEXT OF STATUTE HAS NOT YET BEEN FINALLY
CLEARED WITH THESE GOVERNMENTS OR BY UNITED KINGDOM MINISTERS.
DRAFTS ARE THEREFORE TENTATIVE.

CO-OPERATIVE ASSOCIATION OF SUEZ CANAL USERS (C.A.S.U).

=====

DRAFT DECLARATION.

WHEREAS (UNDERLINE) THE GOVERNMENT OF EGYPT BY ITS UNILATERAL
ACTION IN RESPECT OF THE UNIVERSAL SUEZ CANAL COMPANY HAS PREJUDICED
THE RIGHTS AND GUARANTEES WHICH THE STATES USING THE SUEZ CANAL
(HEREINAFTER CALLED "'THE USERS'") ENJOYED UNDER THE SYSTEM
UPON WHICH THE SUEZ CANAL CONVENTION OF 1888 WAS BASED, INCLUDING
(INTER ALIA) THE OPERATION OF THE CANAL BY AN ENTITY HAVING AN
INTERNATIONAL CHARACTER AND SO CONSTITUTED AS TO BE CAPABLE OF
PROMOTING AND SAFEGUARDING ALL LEGITIMATE USER INTERESTS.,

AND WHEREAS (UNDERLINE) HAVING REGARD TO THE FOREGOING
CONSIDERATIONS AND TO THE LANGUAGE OF THE PREAMBLE AND ARTICLE XIV
OF THE SUEZ CANAL CONVENTION, THE USERS ARE NOT AT THE PRESENT TIME
UNDER ANY OBLIGATION TO RECOGNISE AN EGYPTIAN AUTHORITY AS THE ENTITY
ENTITLED TO OPERATE THE CANAL AND THE EGYPTIAN GOVERNMENT IS NOT
ENTITLED TO REQUIRE THEM TO RECOGNISE THE EGYPTIAN AUTHORITY.

AND WHEREAS (UNDERLINE) IN THESE CIRCUMSTANCES USERS HAVE
THE RIGHT PENDING ANY MORE PERMANENT AND DEFINITIVE ARRANGEMENT TO
SET UP THEIR OWN ORGANISATION IN SUCH A MANNER AS TO GUARANTEE
THEIR RIGHTS OF PASSAGE UNDER THE CONVENTION AND HAVE DECIDED TO PRO-
CEED ACCORDINGLY.,

NOW THEREFORE (UNDERLINE) THE GOVERNMENTS, SIGNATORIES
TO THE PRESENT DECLARATION HAVE AGREED AS FOLLOWS:

299

- I. THERE IS HEREBY CONSTITUTED AN ORGANISATION TO BE CALLED THE CO-OPERATIVE ASSOCIATION OF SUEZ CANAL USERS (''C.A.S.U.'')
- II. MEMBERS OF THE ASSOCIATION SHALL BE THE GOVERNMENTS SUBSCRIBING TO THE PRESENT DECLARATION AND ANY OTHER GOVERNMENT WHOSE NATIONALS OR SHIPS OF REGISTRY HAVE BEEN USERS TO THE EXTENT OF ONE MILION NET TONS OR MORE OF THE CANAL IN 1955 OR WHOSE FOREIGN TRADE HAS TO THE EXTENT OF 50 PER CENT. OR MORE PASSED THROUGH THE CANAL ON THE BASIS OF LAST CALENDAR YEAR'S FIGURES AVAILABLE AND WHICH ACCEPTS THE PURPOSES SET FORTH BELOW. IN ADDITION OTHER GOVERNMENTS WHO DESIRE TO OBTAIN THE BENEFIT OF FACILITIES OF C.A.S.U. MAY BECOME AFFILIATES BY NOTIFYING SUCH DESIRE TO AND BY DECLARING THEIR ADHERENCE TO THE SAID PRINCIPLES.
- III. THE ASSOCIATION, WHOSE SEAT WILL BE IN ROME, SHALL HAVE THE FOLLOWING PURPOSES:
- (1) TO ORGANISE THE USE OF THE CANAL BY VESELS CONTROLLED BY MEMBERS AND AFFILIATES SO AS TO PROMOTE SAFE, ORDERLY, EFFICIENT AND ECONOMICAL TRANSIT.
 - (2) TO ASURE THAT SUCH USE WILL AS AMONG SUCH VESSELS BE IMPARTIAL AND IN PARTICULAR UNINFLUENCED FOR OR AGAINST ANY SHIP OR ~~CARGO~~ SHIP OR CARGO BY REASON OF POLICIES OF ANY GOVERNMENT.
 - (3) TO CO-ORDINATE GENERALLY ON BEHALF OF MEMBERS AND AFFILIATES THE EXERCISE OF RIGHTS OF USERS OF THE SUEZ CANAL WITH DUE REGARD FOR THE RIGHTS OF EGYPT IN CONCORDANCE WITH THE 1888 CONVENTION.
 - (4) TO INVITE THE CO-OPERATION OF THE EGYPTIAN GOVERNMENT IN ACHIEVING THE ABOVE-MENTIONED PURPOSES
 - (5) TO HOLD IN TRUST THE SURPLUS REVENUES ACCRUING FROM THE PAYMENT OF CANAL DUES TO THE ASSOCIATION AS A FUND FOR ALLOCATION IN ACORDANCE WITH SUCH PERMANENT ARRANGEMENTS AS MAY BE MADE FOR THE OPERATION OF THE SUEZ CANAL.

IV. IN ORDER TO CARRY OUT THE ABOVE-MENTIONED PURPOSES THE
ASSOCIATION SHALL FUNCTION IN ACORDANE WITH THE ANNEXED STATUTE
THE PROVISIONS OF WHICH MEMBERS UNDERTAKE TO ADHERE TO AND
CARRY OUT. MEMBERS WILL ENDEAVOUR TO ENSURE THAT THEIR
NATIONALS AND VESELS AVAIL THEMSELVES OF THE SERVICES AND FACILITIES
FOR
PRO PASAGE OF THE CANAL PROVIDED BY THE ASSOCIATION AND COMPLY WITH
ANY CONDITIONS ATTACHED TO THE USE OF SUCH SERVICES AND FACILITIES.

V. MEMBERSHIP OR AFFILIATION MAY AT ANY TIME BE TERMINATED
BY GIVINGMONTHS NOTICE TO 297

IN FAITH WHEREOF THE UNDERSIGNED, DULY AUTHORISED TO THAT EFFECT,
HAVE SUBSCRIBED TO THE PRESENT DECLARATION.

CO-OPERATIVE ASSOCIATION OF SUEZ CANAL USERS (C.A.S.U.)

=====

DRAFT STATUTE.

FOLLOWING IS TEXT OF DRAFT STATUTE OF CO-OPERATIVE ASSOCIATION
OF SUEZ CANAL USERS.

THE CO-OPERATIVE ASSOCIATION OF SUEZ CANAL USERS (++)
(''C.A.S.U.'') SET UP BY THE DECLARATION TO WHICH THE
PRESENT STATUTE IS AN ANNEX SHALL FUNCTION IN ACORDANCE WITH THE
FOLLOWING PROVISIONS.,

1. ORGANISATION

1. THE NATIONS MEMBERS OF THE ASSOCIATION WILL CREATE AN
EXECUTIVE GROUP CONSISTING OF SEVEN NATIONS WHICH SHALL BE CHOSEN
FROM AMONG THEIR MEMBERS WITH DUE REGARD TO USE, PATTERN OF
TRADE AND GEOGRAPHICAL DISTRIBUTION., THE COMPOSITION OF THE
EXECUTIVE GROUP TO BE SUCH AS TO ASSURE THAT ITS RESPONSIBILITIES
WILL BE DISCHARGED SOLELY WITH A VIEW TO ACHIEVING THE BEST POSS-
IBLE OPERATING RESULTS WITHOUT POLITICALMOTIVATION IN FAVOUR OF
OR IN PREJUDICE AGAINST ANY USER OF THE CANAL.

2. THE EXECUTIVE GROUP WILL BEAUTHORISED TO DEVELOP SUCH RELATIONS
WITH THE UNITED NATIONS AS MAY BE AGREED UPON BY THE ASSOCIATION

WITH THE UNITED NATIONS AS MAY BE AGREED UPON BY THE ASSOCIATION AND THE UNITED NATIONS.

3. THE EXECUTIVE GROUP WILL BE RESPONSIBLE FOR GIVING GENERAL POLICY GUIDANCE TO THE ADMINISTRATOR, HEREAFTER REFERRED TO, IN CARRYING OUT THE OBJECTIVES OF THE ASSOCIATION. IT SHALL BE RESPONSIBLE FOR APPROVING THE SCALE OF SALARIES AND WAGES OF EMPLOYEES AND SHALL PREPARE AN ANNUAL BUDGET FOR APPROVAL BY THE ASSOCIATION.
4. MEMBERS OF THE ASSOCIATION WILL ADVANCE TO THE EXECUTIVE GROUP A WORKING FUND OF DOLLARS.....TO BE REIMBURSED OUT OF THE FEES COLLECTED FROM SHIPS USING THE FACILITIES OF THE ASSOCIATION. ADVANCES SHOULD BE PAYABLE IN DOLLARS, FRANCS AND STERLING. 296
5. THE ASSOCIATION SHALL UPON THE RECOMMENDATION OF THE EXECUTIVE GROUP DESIGNATE AN INDIVIDUAL ADMINISTRATOR TO ADMINISTER THE OPERATIONS OF THE ASSOCIATION AND MEMBERS WILL GIVE SUCH ASSISTANCE TO THE ADMINISTRATOR AS MAY BE USEFUL FOR THE EFFECTIVE OPERATION OF THE ASSOCIATION.
6. THE ADMINISTRATOR, SUBJECT TO THE AUTHORITY OF THE EXECUTIVE GROUP SHALL HAVE THE FOLLOWING POWERS -
 - (A) TO ESTABLISH AND CONTROL THE SCHEDULING FOR SHIPS USING THE FACILITIES OF THE ASSOCIATION.,
 - (B) TO ALLOCATE PILOTS TO MASTERS OF SUCH SHIPS.,
 - (C) TO EMPLOY PERSONNEL NECESSARY FOR THE OPERATION OF THE ASSOCIATION, INCLUDING THE PROVISION OF PILOTS.,
 - (D) TO MAKE SUCH RULES AND REGULATIONS FOR SHIPS USING THE FACILITIES OF THE ASSOCIATION AS IN HIS OPINION WILL BEST ENSURE THE FREE AND UNOBSTRUCTED TRANSIT OF THE CANAL.,
 - (E) TO COLLECT FROM SHIPS USING THE FACILITIES OF THE ASSOCIATION SUCH DUES AS THE EXECUTIVE GROUP SHALL ESTABLISH AS EQUITABLE AND NECESSARY TO MEET THE OBJECTS OF THE ASSOCIATION WITHOUT PROFIT TO ANY MEMBER.

11. RELATIONS WITH EGYPT.

THE ASSOCIATION WILL INVITE THE CO-OPERATION OF THE EGYPTIAN GOVERNMENT IN CARRYING OUT THE OBJECTS OF THE ASSOCIATION. THE ADMINISTRATOR UNDER THE GUIDANCE OF THE ASSOCIATIONXXX EXECUTIVE GROUP WILL BE RESPONSIBLE FOR MAINTAINING THE NECESSARY RELATIONS WITH THE EGYPTIAN GOVERNMENT. THE ASSOCIATION WILL MAKE APPROPRIATE PAYMENTS TO EGYPT FOR HER CONTRIBUTION T THE MAINTENANCE OF THE CANAL AND FACILITIES OF TRANSIT.

111. SETTLEMENT OF DISPUTES.

DISPUTES ARISING BETWEEN THE MEMBERS OF THE ASSOCIATION RELATING TO THEIR RIGHTS AND OBLIGATIONS AS MEMBERS AND DISPUTES ARISING FROM THE USE OF THE FACILITIES OF THE ASSOCIATION SHALL BE SETTLED BY THE EXECUTIVE GROUP.

MESSAGE ENDS SHA AS SHA

EXTERNAL AFFAIRS.

Users' Assoc
TOP SECRET

File No.....

Date 13th September, 1956

SUBJECT

SUEZ CANAL

FOR THE MINISTER

ACTING SECRETARY

NEW BRITISH PROPOSALS

294

1. In the House of Commons last night Sir Anthony Eden announced that Britain, France and the United States would set up a "Users" Association which would undertake responsibility for traffic through the Canal. He is reported as saying that if the Egyptian Government interfered or refused to co-operate with the new Association it would be guilty of a breach of the Constantinople Convention of 1888. The Convention guarantees free passage through the Canal at all times. Sir Anthony Eden is reported as having described the new Association as a provisional organisation which would pave the way for a permanent system to be agreed upon by all interested parties. It would collect dues, employ pilots and be responsible for traffic through the Canal. Egypt would be paid for the use of its facilities.

The United Kingdom High Commissioner has this morning informed us in more precise terms. His note, a copy of which is attached, states:

....

"The United Kingdom Government, together with her United States and French allies, have therefore decided to set up a "Users" Association to exercise these rights. This organisation will necessarily have to be provisional at first. The other principal users of the Canal will be invited by the three Governments to join, and we hope for a widely representative membership. The Association will make arrangements for the co-ordination of traffic through the Canal, the provision of pilots and the exercise of other rights, and will collect the transit dues payable by the nationals of its members. Egypt will be called upon to co-operate and will be entitled to appropriate payment for facilities incurred by her."

The United Kingdom Government invited all governments concerned to join the proposed Association. They have expressed the hope that the Australian Government will give public support to the plan. They have stated that the plan has the full support of the United States and French Governments.

STATE DEPARTMENT VIEWS

2. Some move such as this was foreshadowed by the State Department when Sir Percy Spender saw them on 6th September. The State Department spokesman said to Spender -

- (a) A major aspect of the situation which should be emphasised was that, despite cancellation of the Concessions, the Convention of 1888 remained in effect - a fact which Nasser did not dispute. That the Convention was not conditional on the payment of tolls to Egypt or Egyptian operation or Egyptian provision of pilots. We should

TOP SECRET

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- 2 -

not minimise the strength of our own legal position in this regard, namely, right of the international community to use the Canal. The cancellation of the Concessions did not impede that right.

(b) That it would be one thing to undertake aggression against Egypt because of Egypt's unwillingness to enter into a new Treaty commitment; it would be another thing to use military force if Egypt impeded the free use of the Canal.

(c) That the rights of the international community under the 1888 Convention were irrespective of the payment of tolls so that Egypt could not properly deny access to the Canal because of the refusal of the international community to pay tolls in circumstances not acceptable to them.

..... A copy of Spender's telegram outlining his conversation with the State Department is attached.

NEW ZEALAND MESSAGE

3. A report which we have received from the New Zealand Government states that Lord Home saw representatives of the four Old Commonwealth countries in London on 11th September in advance of the House of Commons debate. Lord Home said the alternatives suggested were resort to the Security Council or a proposal to set up virtually a rival Canal authority. The latter proposal envisaged the organisation of representatives of Canal users to actually pilot vessels through the Canal, collect dues and generally assume the position of the operating authority. Mr. Dulles apparently thought that some justification for this might be found in the 1888 Convention "which provides that Canal users may take steps to ensure that the Canal shall be kept open for traffic." The Canadian representative expressed doubts about the proposal. The New Zealand representative thought that a separate organisation might be justified if, as was likely, Nasser became unable, through the resignation of pilots, to run the Canal to normal capacity. A copy of the New Zealand telegram is attached.

.....

THE CONSTANTINOPLE CONVENTION

4. The Constantinople Convention of 1888 accompanies this paper. The salient provisions of it are as follows:-

.....

- (a) "The Canal shall always be free and open in time of war as in time of peace to every vessel of commerce or of war without distinction of flag." (Article I)
- (b) The parties to the Convention "agree not in any way to interfere with the free use of the Canal in time of war as in time of peace." (ibid).
- (c) The Canal "shall never be subjected to blockade." (ibid).

- 3 -

(d) The parties "agree that no right of war, no act of hostility, nor any act having for its object to obstruct free navigation of the Canal and its ports of access as well as within a radius of three marine miles from those ports." (Article IV).

(e) The Egyptian Government shall "take the necessary measures for ensuring the execution" of the Convention. (Article IX). 293

5. Should the British proposal be implemented it would seem that any act by the Egyptian Government to prevent traffic passing through the Canal, even without payment of tolls, would be in clear breach of the Convention. At the same time, it would seem open to Egypt to delay shipping by the application of sanitary measures; Article XV of the Convention provides that "the stipulations of the present Treaty shall not interfere with the sanitary measures in force in Egypt."

Egypt might attempt to give some play to Article X of the Convention which preserves the right of the Sultan and the Khedive to secure by their own forces the defence of Egypt and the maintenance of public order. However, apart from the question of whether the rights of the Sultan and Khedive in this respect devolve upon Egypt (an arguable point) the provisions of Article X do not supersede Article I which provides that the Canal shall be free and open at all times to all ships. Moreover, Article II of the Convention provides that the measures taken under Article X shall not interfere with the free use of the Canal.

PURPOSES OF NEW PROPOSAL

6. The motives behind the United Kingdom's latest move, in which it has the support of France and the United States, would appear to be these -

- (a) To keep the initiative from Nasser;
- (b) to provoke Egypt into breaking the Convention. This would place the West in a position of vantage, but Nasser is likely to realise this (although it is impossible to be sure since his reaction may well be emotional and intemperate);
- (c) to force Nasser to capitulate. This result seems unlikely at all events in the immediate future;
- (d) to maintain the flow of essential traffic through the Canal.

RIGHTS TO TOLLS

7. Is Nasser in a position to claim that he is legally entitled to transit dues? The Egyptian decree of 26th July, 1956, nationalising the Suez Canal Company states that all rights and obligations of the Company are transferred to Egypt and that all organisations and committees now operating the Company are dissolved. Unless it can be upheld that the Concessions (attached) form part of the Constantinople Convention (and the British have never pursued this argument) Nasser can claim that by nationalising an Egyptian company (which is what the Suez Canal

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- 4 -

was) he is fully within his rights even though by breach of the Concessions he has broken a contractual obligation. He can claim that the Concessions amounted merely to a private arrangement with the Suez Canal Company, the breach of which gives rights to the Company to approach municipal courts but not international tribunals.

8. For their part the United Kingdom can say -

- (a) that whatever national action Nasser has taken in the exercise of his sovereignty and in relation to his national territory, he remains subject to the Constantinople Convention which guarantees unconditional right of free passage **at all times** to all ships; 292
- (b) that the Constantinople Convention places no obligation upon user nations to pay tolls;
- (c) that if Egypt attempts to impose tolls on ships passing through the Canal, it is acting in breach of an international commitment (the Convention) which it has accepted in derogation of its sovereignty.

9. If the Western Powers take up this position, however, it leaves outstanding the question of whether they are themselves entitled to impose tolls. If they claim that Nasser is not entitled to impose tolls by reason of Egypt's obligation under the Constantinople Convention to give unconditional passage, it seems that they must also admit that the imposition of tolls by themselves would be in breach of the Convention unless they can say that the user companies against whom tolls are imposed consent to the imposition of them. In short, the position of the "User" Association must be that they will do nothing to impede the use of the Canal by insisting upon payment of charges. The emphasis should be on the voluntary nature of the contributions.

huk

(J.C.G. KEVIN)
Assistant Secretary

IMMEDIATE

13th September, 1956.

Dear Sir, Suez Canal

This letter will confirm the oral message which I gave you earlier this morning. 291

In a telegram received during the night we were asked to inform the Australian Government that Sir Anthony Eden intended in his speech at 2.30 p.m. yesterday afternoon in the House of Commons to announce a plan to form a new organisation of users of the Canal.

Sir Anthony Eden will explain that the operation of the Canal by the Suez Canal Company was an essential part of the system to ensure free use of the Canal by all powers enshrined in the Constantinople Convention of 1888. But the rights of user countries do not derive only from this Convention. They have been established by long and uninterrupted use and include not only free passage but the efficient operation, administration and maintenance of the Canal without discrimination.

The United Kingdom Government, together with their United States and French allies, have therefore decided to set up a Users Association to exercise these rights. This organisation will necessarily have to be provisional at first. The other principal users of the Canal will be invited by the three Governments to join, and we hope for a widely representative membership. The Association will make arrangements for the co-ordination of traffic through the Canal, the provision

E. J. Bunting, Esq., O.B.E.,
Acting Secretary,
Prime Minister's Department,
Canberra, A.C.T.

of pilots and the exercise of other rights, and will collect the transit dues payable by the nationals of its members. Egypt will be called upon to co-operate and will be entitled to appropriate payment for facilities incurred by her.

The Prime Minister intends to say that the United Kingdom Government believe that this system will enable a substantial volume of shipping to move through the Canal and thus reduce both for Europe and for Asia the economic dislocation which may otherwise occur. If the Egyptian Government seek to interfere with the operations of the Association it will be in breach of the Convention of 1888. 290

The United Kingdom Government will invite all Governments concerned to join the proposed Association. Meanwhile we have been asked to express their hope that the Australian Government will give public support to the plan. In conveying this message we have been asked to emphasise particularly that the plan has the full support of the United States and French Governments.

I am sending a copy of this letter to the Acting Secretary of the Department of External Affairs.

Yours sincerely,

(SGD.) G. W. TORY

CABLEGRAM I.11790/1.

BH:SHA

FROM:

Dated: 6th September, 1956.
2241
Recd.: 7th September, 1956.
1900

Australian Embassy,
WASHINGTON.

914. TOP SECRET. IMMEDIATE.

Repeated Cairo Misc. 51, London 102.

Suez.

My 907.

I saw Rountree today and gave him substance of Abdulgani's message to Minister (your 702 paragraph 2). He expressed appreciation.

2. I said I gathered that in Cairo meetings Nasser showed no disposition to negotiate on basis of 18 nation proposals. Rountree said it seemed clear enough that Nasser was at present juncture not prepared to negotiate solution along lines of 18 nation proposal. It was quite possible today's meeting would be the last.

3. I asked what next steps United States envisaged. Rountree said United States has been assuming 5-Power Committee would report back to Governments through diplomatic channels rather than by convening another conference. This did not include a report to meeting of diplomatic representatives in London. (At this stage Rountree referred to Prime Ministers "admirable contribution" in Cairo).

4. Apart from this procedural step Rountree said United States simply did not know what next substantive step would be. Considerable thought had been given to possibility of bringing question to Security Council - United Kingdom and France, had, he understood, given matter some consideration; Egypt might possibly do it despite Nasser's renewed denial on 2nd September of any such intention; Secretary General might do so, under Article 99. It was, however, difficult to see what Security Council could do to bring about an effective and peaceful solution. Any resolution considered by users as proper and effective could not get by Soviet veto, although admittedly, even majority vote would have certain moral force. In general, United States was not, however, excluding possibility of United Nations action.

5. Rountree continued it was difficult to see how present situation could continue after break-off of talks which seemed probable. Canal pilots would probably quit whether entirely of their own volition or not. Whether or not they would be told to stay on would depend on French and United Kingdom decision after present Cairo meetings. If pilots quit or "other measures" were taken by either side, resultant break-down in Canal would produce "serious and grave situation". A major problem would be the time factor. It was difficult to see how any United Nations discussions could be completed quickly enough to ensure no undue delay in the operation of the Canal.

TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS

COPY NUMBER.....

CABLEGRAM.

I.11790/1.

- 2 -

6. Rountree said United Kingdom and France were considering other measures and instanced economic sanctions. This, however, would be fairly lengthy process if it were to have any major effect on Egyptian economy, especially since Egypt could have recourse to Communist bloc economy.

7. Rountree said a major aspect of the situation which should be emphasised, was that despite cancellation of concessions, 1888 Convention remained in effect - a fact that Nasser did not dispute. That Convention was not conditional on payment of tolls to Egypt or Egyptian operation or Egyptian provision of pilots. We should not minimize the strength of our own legal position in this regard, namely, right of international community to use of Canal. Cancellation of concession did not impede that right.

8. I asked Rountree what this meant in practical terms. Rountree said it would be one thing to "undertake aggression" against Egypt because of the latter's unwillingness to enter into a new treaty commitment; it would be another thing to use military force if Egypt impeded free use of the Canal. I suggested that if such impediment occurred, Nasser would seek to manoeuvre himself into a position where he could claim it was due not to any positive Egyptian action but to a situation for which the West was responsible, e.g. withdrawal of pilots. Pursuing his line of thought Rountree said that rights of international community under 1888 Convention were also irrespective of payment of tolls so that Egypt could not properly deny access to Canal because of refusal of international community to pay tolls in circumstances not acceptable to them.

9. Reverting to the possibility of United Nations action, Rountree said further difficulty was the possibility of a resolution calling on all parties to forego the use of force in all circumstances. That might tie our hands completely. By and large he thought that if the matter did come to the Security Council, it was more likely to come through Egyptian initiative.

10. Rountree said that, in the light of discussions in Cairo, it would be possible to see if there was any room for movement. I asked for clarification. Rountree said if Nasser bluntly refused to negotiate on basis of 18 nation proposals, if he made it clear he was firmly opposed to minimum principles of those proposals, the exercise would be over. He might, however, leave some room for movement. I asked whether those proposals did, in his view, in fact indicate the minimum principles. Rountree said they did but there were various ways of achieving those principles. United States felt that problem was to ensure that we had adequate degree of control. We should not ask Nasser directly "will you accept international control?" We must find another way of putting the idea to him. We would need to have an illustrative arrangement within our principal statement showing how various practical components of problem might be handled. (The really vital components he said, were hiring and firing of pilots and imposition, collection and disbursement of tolls).

TOP SECRET

CABLEGRAM.

I.11790/1.

- 3 -

Rountree hoped it might be possible to explore this with Nasser
before the 5 Power Committee leaves Cairo.

Spender.

A/P.M. & DEPT.
MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE

7th September, 1956.

287

U.K. - ASKING
SUPPORT FOR
USERS ASSOCⁿ

IMMEDIATE

13th September, 1956.

Dear Bunting,

Suez Canal

286

This letter will confirm the oral message which I gave you earlier this morning.

In a telegram received during the night we were asked to inform the Australian Government that Sir Anthony Eden intended in his speech at 2.30 p.m. yesterday afternoon in the House of Commons to announce a plan to form a new organisation of users of the Canal.

Sir Anthony Eden will explain that the operation of the Canal by the Suez Canal Company was an essential part of the system to ensure free use of the Canal by all powers enshrined in the Constantinople Convention of 1888. But the rights of user countries do not derive only from this Convention. They have been established by long and uninterrupted use and include not only free passage but the efficient operation, administration and maintenance of the Canal without discrimination.

The United Kingdom Government, together with their United States and French allies, have therefore decided to set up a Users Association to exercise these rights. This organisation will necessarily have to be provisional at first. The other principal users of the Canal will be invited by the three Governments to join, and we hope for a widely representative

E.J. Bunting, Esq., O.B.E.,
Acting Secretary,
Prime Minister's Department,
Canberra. A.C.T.

membership. The Association will make arrangements for the co-ordination of traffic through the Canal, the provision of pilots and the exercise of other rights, and will collect the transit dues payable by the nationals of its members. Egypt will be called upon to co-operate and will be entitled to appropriate payment for facilities incurred by her.

285

The Prime Minister intends to say that the United Kingdom Government believe that this system will enable a substantial volume of shipping to move through the Canal and thus reduce both for Europe and for Asia the economic dislocation which may otherwise occur. If the Egyptian Government seek to interfere with the operations of the Association it will be in breach of the Convention of 1888.

The United Kingdom Government will invite all Governments concerned to join the proposed Association. Meanwhile we have been asked to express their hope that the Australian Government will give public support to the plan. In conveying this message we have been asked to emphasise particularly that the plan has the full support of the United States and French Governments.

I am sending a copy of this letter to the Acting Secretary of the Department of External Affairs.

Yours sincerely,

(Sgd.) G.W. TORY

13th September, 1956

SUEZ CANAL

284

THE MINISTER

ACTING SECRETARY

.....

The United Kingdom Government have asked that the Australian Government give public support to their plan, which is backed by the United States and France, to set up a "Users" Association (which other principal users will be invited to join), and which will "make arrangements for the co-ordination of traffic through the Canal, the provision of pilots and the exercise of other rights, and will collect the transit dues payable by the nationals of its members." The United Kingdom request states that "Egypt will be called upon to co-operate and will be entitled to appropriate payment for facilities incurred by her." The terms of the British request are attached.

2. If the Australian Government agrees to the United Kingdom request there are several points which we should bring to the notice of the United Kingdom:

- (a) how do they propose to interpret "user?" Is it intended that Australia, which has no merchant ships of its own passing through the Canal, should be asked to join the proposed Association?
- (b) on what basis will transit dues be charged - on a flag owning basis or a cargo basis?
- (c) what rates of transit dues are envisaged?
- (d) what will be the point of collection and how will the transit dues be disposed of?
- (e) will the Association be incorporated as a national company anywhere? What will be its juridical status?
- (f) will transit dues be insisted upon or will they take the form of voluntary contributions? If the United Kingdom insists upon payment of dues, this may be regarded as being in breach of the Constantinople Convention.
- (g) inasmuch as the United Kingdom presumably regards the Concessions as being still in force, they should hold themselves bound by the provisions of those Concessions which relate to the payment of dues. In its collection of dues, therefore, the new "Users" Association should express itself as acting as agent for the Suez Canal Company, and it should seek an agency delegation from the Suez Canal Company.
- (h) should not payment by shipping companies made to the "Users" Association be expressed as payment for services rendered (e.g. for the provision of pilots) rather than as transit dues? This might avoid the above question regarding -

- 2 -

- (i) the legality of imposing dues, and
 - (ii) the need for the new "Users" Association to act as agent for the Suez Canal Company.
- (1) what obligation does the Convention impose upon Egypt as regards the day to day maintenance of the Canal and its essential facilities. Article II of the Convention requires the parties, including Egypt, not to interfere or obstruct the working of the Canal; by Article III the parties, including Egypt, undertake to respect the plant, establishments, buildings and works. Under Article IV Egypt undertakes "to take the necessary measures for ensuring the execution" of the Conventions. It is doubtful whether these provisions require Egypt to take positive day to day measures to maintain the Canal. 283
- (5) what forms of co-operation by Egypt are necessary to the new "Users" Association? Can it operate without that co-operation in such matters as the formation of convoys, data on channels, etc.

(J.C.G. KEVIN)
Assistant Secretary

IMMEDIATE

13th September, 1956.

Dear Bunting,

Suez Canal

282

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Sir Anthony Eden will explain that the operation of the Canal by the Suez Canal Company was an essential part of the system to ensure free use of the Canal by all powers enshrined in the Constantinople Convention of 1888. But the rights of user countries do not derive only from this Convention. They have been established by long and uninterrupted use and include not only free passage but the efficient operation, administration and maintenance of the Canal without discrimination.

The United Kingdom Government, together with their United States and French allies, have therefore decided to set up a Users Association to exercise these rights. This organisation will necessarily have to be provisional at first. The other principal users of the Canal will be invited by the three Governments to join, and we hope for a widely representative

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Acting Secretary,
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membership. The Association will make arrangements for the co-ordination of traffic through the Canal, the provision of pilots and the exercise of other rights, and will collect the transit dues payable by the nationals of its members. Egypt will be called upon to co-operate and will be entitled to appropriate payment for facilities incurred by her.

The Prime Minister intends to say that the United Kingdom Government believe that this system will enable a substantial volume of shipping to move through the Canal and thus reduce both for Europe and for Asia the economic dislocation which may otherwise occur. If the Egyptian Government seek to interfere with the operations of the Association it will be in breach of the Convention of 1888.

The United Kingdom Government will invite all Governments concerned to join the proposed Association. Meanwhile we have been asked to express their hope that the Australian Government will give public support to the plan. In conveying this message we have been asked to emphasise particularly that the plan has the full support of the United States and French Governments.

I am sending a copy of this letter to the Acting Secretary of the Department of External Affairs.

Yours sincerely,

(Sgd.) G.W. TORY

13th September, 1956

SUEZ CANAL

280

THE MINISTER

ACTING SECRETARYNEW BRITISH PROPOSALS

1. In the House of Commons last night Sir Anthony Eden announced that Britain, France and the United States would set up a "Users" Association which would undertake responsibility for traffic through the Canal. He is reported as saying that if the Egyptian Government interfered or refused to co-operate with the new Association it would be guilty of a breach of the Constantinople Convention of 1888. The Convention guarantees free passage through the Canal at all times. Sir Anthony Eden is reported as having described the new Association as a provisional organisation which would pave the way for a permanent system to be agreed upon by all interested parties. It would collect dues, employ pilots and be responsible for traffic through the Canal. Egypt would be paid for the use of its facilities.

The United Kingdom High Commissioner has this morning informed us in more precise terms. His note, a copy of which is attached, states:

....

"The United Kingdom Government, together with her United States and French allies, have therefore decided to set up a "Users" Association to exercise these rights. This organisation will necessarily have to be provisional at first. The other principal users of the Canal will be invited by the three Governments to join, and we hope for a widely representative membership. The Association will make arrangements for the co-ordination of traffic through the Canal, the provision of pilots and the exercise of other rights, and will collect the transit dues payable by the nationals of its members. Egypt will be called upon to co-operate and will be entitled to appropriate payment for facilities incurred by her."

The United Kingdom Government invited all governments concerned to join the proposed Association. They have expressed the hope that the Australian Government will give public support to the plan. They have stated that the plan has the full support of the United States and French Governments.

STATE DEPARTMENT VIEWS

2. Some move such as this was foreshadowed by the State Department when Sir Percy Spender saw them on 6th September. The State Department spokesman said to Spender -

(a) A major aspect of the situation which should be emphasised was that, despite cancellation of the Concessions, the Convention of 1888 remained in effect - a fact which Nasser did not dispute. That the Convention was not conditional on the payment of tolls to Egypt or Egyptian operation or Egyptian provision of pilots. We should

- 2 -

not minimise the strength of our own legal position in this regard, namely, right of the international community to use the Canal. The cancellation of the Concessions did not impede that right.

(b) That it would be one thing to undertake aggression against Egypt because of Egypt's unwillingness to enter into a new Treaty commitment; it would be another thing to use military force if Egypt impeded the free use of the Canal. 279

(c) That the rights of the international community under the 1888 Convention were irrespective of the payment of tolls so that Egypt could not properly deny access to the Canal because of the refusal of the international community to pay tolls in circumstances not acceptable to them.

.....

A copy of Spender's telegram outlining his conversation with the State Department is attached.

NEW ZEALAND MESSAGE

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3. A report which we have received from the New Zealand Government states that Lord Home saw representatives of the four Old Commonwealth countries in London on 11th September in advance of the House of Commons debate. Lord Home said the alternatives suggested were resort to the Security Council or a proposal to set up virtually a rival Canal authority. The latter proposal envisaged the organisation of representatives of Canal users to actually pilot vessels through the Canal, collect dues and generally assume the position of the operating authority. Mr. Dulles apparently thought that some justification for this might be found in the 1888 Convention "which provides that Canal users may take steps to ensure that the Canal shall be kept open for traffic." The Canadian representative expressed doubts about the proposal. The New Zealand representative thought that a separate organisation might be justified if, as was likely, Nasser became unable, through the resignation of pilots, to run the Canal to normal capacity. A copy of the New Zealand telegram is attached.

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THE CONSTANTINOPLE CONVENTION

4. The Constantinople Convention of 1888 accompanies this paper. The salient provisions of it are as follows:-

- (a) "The Canal shall always be free and open in time of war as in time of peace to every vessel of commerce or of war without distinction of flag." (Article I)
- (b) The parties to the Convention "agree not in any way to interfere with the free use of the Canal in time of war as in time of peace." (ibid).
- (c) The Canal "shall never be subjected to blockade." (ibid).

- (d) The parties "agree that no right of war, no act of hostility, nor any act having for its object to obstruct free navigation of the Canal and its ports of access as well as within a radius of three marine miles from those ports." (Article IV).

- (e) The Egyptian Government shall "take the necessary measures for ensuring the execution" of the Convention. (Article IX).

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5. Should the British proposal be implemented it would seem that any act by the Egyptian Government to prevent traffic passing through the Canal, even without payment of tolls, would be in clear breach of the Convention. At the same time, it would seem open to Egypt to delay shipping by the application of sanitary measures; Article IV of the Convention provides that "the stipulations of the present Treaty shall not interfere with the sanitary measures in force in Egypt."

Egypt might attempt to give some play to Article X of the Convention which preserves the right of the Sultan and the Khedive to secure by their own forces the defence of Egypt and the maintenance of public order. However, apart from the question of whether the rights of the Sultan and Khedive in this respect devolve upon Egypt (an arguable point) the provisions of Article X do not supersede Article I which provides that the Canal shall be free and open at all times to all ships. Moreover, Article II of the Convention provides that the measures taken under Article X shall not interfere with the free use of the Canal.

PURPOSES OF NEW PROPOSAL

6. The motives behind the United Kingdom's latest move, in which it has the support of France and the United States, would appear to be these -

- (a) To keep the initiative from Nasser;
- (b) to provoke Egypt into breaking the Convention. This would place the West in a position of vantage, but Nasser is likely to realise this (although it is impossible to be sure since his reaction may well be emotional and intemperate);
- (c) to force Nasser to capitulate. This result seems unlikely at all events in the immediate future;
- (d) to maintain the flow of essential traffic through the Canal.

RIGHTS TO TOLLS

7. Is Nasser in a position to claim that he is legally entitled to transit dues? The Egyptian decree of 26th July, 1956, nationalising the Suez Canal Company states that all rights and obligations of the Company are transferred to Egypt and that all organisations and committees now operating the Company are dissolved. Unless it can be upheld that the Concessions (attached) form part of the Constantinople Convention (and the British have never pursued this argument) Nasser can claim that by nationalising an Egyptian company (which is what the Suez Canal

.....

- 4 -

was) he is fully within his rights even though by breach of the Concessions he has broken a contractual obligation. He can claim that the Concessions amounted merely to a private arrangement with the Suez Canal Company, the breach of which gives rights to the Company to approach municipal courts but not international tribunals.

8. For their part the United Kingdom can say -

277

- (a) that whatever national action Nasser has taken in the exercise of his sovereignty and in relation to his national territory, he remains subject to the Constantinople Convention which guarantees unconditional right of free passage at all times to all ships;
- (b) that the Constantinople Convention places no obligation upon user nations to pay tolls;
- (c) that if Egypt attempts to impose tolls on ships passing through the Canal, it is acting in breach of an international commitment (the Convention) which it has accepted in derogation of its sovereignty.

9. If the Western Powers take up this position, however, it leaves outstanding the question of whether they are themselves entitled to impose tolls. If they claim that Nasser is not entitled to impose tolls by reason of Egypt's obligation under the Constantinople Convention to give unconditional passage, it seems that they must also admit that the imposition of tolls by themselves would be in breach of the Convention unless they can say that the user companies against whom tolls are imposed consent to the imposition of them. In short, the position of the "User" Association must be that they will do nothing to impede the use of the Canal by insisting upon payment of charges. The emphasis should be on the voluntary nature of the contributions.

(J.C.G. KEVIN)
Assistant Secretary



COMMONWEALTH OF AUSTRALIA.

CANBERRA.

665/3/5.

14 SEP 1956

276

With the Compliments
Acting
of the Secretary

Prime Minister's Department.

Mr. Kinn *UK*
wray

Rec'd 14/9/56
J. Plimsoll

Mr. J. Plimsoll, C.B.E.,

Acting Secretary,

Department of External Affairs.

Mr. Lauder

Mr. Buckingham
wray 12/9/1956

TOP SECRET

EJB/JWM

Note for the File:

275

Mr. Tory asked to see me today in connection with the reports in the Melbourne Herald and Sydney Morning Herald purporting to relate to yesterday's Cabinet discussion on the Suez Canal issue. He explained that these reports-presumably the Melbourne Herald first and the Sydney Morning Herald later - would have been cabled back to London and the United Kingdom Government would have been scratching its head about them. Tory said he realized that the two reports were not consistent and that he expected to find that neither of them was in any way an authorised report.

2. I said that whatever appeared in those newspapers, or in any other, was the speculation of the newspapers concerned. Mr. Casey gave Cabinet an account of the Cairo negotiations and the exchange of letters between Mr. Menzies and Colonel Nasser and it had also discussed what was known of the attitudes of the various countries about possible next steps. No conclusions were reached or sought to be reached about what Australia might do in this or that eventuality. Mr. Casey and Sir Arthur Fadden had jointly cabled the Prime Minister at the end of last week mainly for the purpose of establishing that next steps should be calmly and realistically taken and to discover what, in the United Kingdom view, these steps might be.

E. J. B.

Wh
(E.J. Bunting)
Acting Secretary.

12/9/1956.

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TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS COPY NUMBER 11

CABLEGRAM.

JW:HMCC

I.11965

Dated: 11th September, 1956.
1930
Rec'd: 12th September, 1956.
0600

FROM:-

Australian High Commission,
L O N D O N.

2463. TOP SECRET. EMERGENCY.

Personal for Sir Arthur Fadden (for most limited distribution and confidential information) from the Prime Minister.

You know the result, not, of course unexpected. Fortunately there are no complaints here about the way in which we did our job.

It is all very well for people to denounce the idea of force but in a negotiation of this kind with an Egyptian it is good sense to keep him guessing.

The French have been over here conferring with the United Kingdom. They are discussing the possibility of taking the matter quickly to the Security Council and also the notion of either denying Canal dues to Nasser or setting up an arrangement of their own for their collection. The advantage of going to the Security Council would be chiefly in public opinion because there are many people who feel it should not be by-passed. It is of course certain that any stringent resolution would be vetoed. There is also some danger that America might be persuaded to include a passage deploring the use of force. These possibilities are now being discussed. My own guess is that the matter will be taken to the Security Council but that delay will not be permitted and that the matter will not then be allowed to wander into the pleasant pastures of the General Assembly.

Failing a Security Council Resolution in satisfactory terms, I believe that Britain and France will put the heat on by either denying or collecting Canal dues. If this provokes Nasser into any peremptory action they will regard the onus as being on him.

The one good feature at moment is that for the first time for many years the French are friendly, enthusiastic and cooperative.

I leave here on Thursday, talk to Dulles and if possible the President at Washington en route, and expect to leave San Francisco for Sydney on either Sunday or Monday next.

Greetings to all.

THE ACTING PRIME MINISTER.

RT. HON. R.G. CASEY

HON. SIR PHILIP McBRIDE

SIR FREDERICK SHEDDEN

MR. E.J. BUNTING MR. J. PLIMSOLL

13th September, 1956.

SEC MR. BOOKER
MR. KEVIN

TOP SECRET

MR. FORSYTH MR. WALLER

RESTRICTED

DEPARTMENT OF EXTERNAL AFFAIRS.

AS:VA

INWARD CABLEGRAM.

I. 11966

Sent: 11th September, 1956
1517
Rec'd: 12th September, 1956
0830

FROM:

Australian High Commission,
LONDON.

273

2451. RESTRICTED. IMMEDIATE.

Bunting from Brown.

The Prime Minister is at present at Downing
Street and expects to send a message to Sir Arthur Fadden
during this afternoon.

- - - - -

A/P.M.
MR. CASEY
SIR PHILIP MCBRIDE
SIR FREDERICK SHEDDEN
MR. E.J. BUNTING
MR. J. PLIMSOLL

12th September, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

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COPY NUMBER.....

Submission No

Department of External Affairs.

FOR CABINET:

For Information.

Nationalization of the Suez Canal:

Suez Committee's Discussions in Cairo.

272

At the London Conference a committee was appointed, comprising representatives of Australia, Ethiopia, Iran, Sweden and the United States of America under the chairmanship of Mr. Menzies to place the 18-nation declaration before the Egyptian Government and to explain its purposes and objectives. The Suez Committee was also charged with finding out whether Egypt would agree to negotiate a convention on the basis of this statement and if she were willing, further arrangements were to be made in consultation with Egypt to proceed with negotiations.

Committee's discussions with Colonel Nasser.

The committee arrived in Cairo on 2nd. September. At its first meeting with Colonel Nasser on Monday, 3rd. September, procedural matters were discussed. At a second meeting on the same day, the committee presented and explained the 18-nation statement and left with Colonel Nasser an aide memoire (text at Appendix I) on the Committee's attitude towards its task. At the conclusion of this second meeting, Mr. Menzies spent some time alone with the Egyptian President: Mr. Menzies comments on this conversation are given in paragraphs 3 and 4 of his cable attached at Appendix 2.

At a third meeting with the committee on 4th September, Colonel Nasser rejected the proposals contained in the 18-nation statement, as being a restoration of "collective colonialism" and as a form of domination which he could never satisfactorily explain to the Egyptian people. All members of the committee including especially Ethiopia, responded promptly and firmly by saying that their national policies were entirely out of sympathy with the continuance of colonialism.

36 copies to Cabinet

1 Mr. Menzies

1 File

20.

4/9

On 5th September at a further meeting, Colonel Nasser made it clear that he was irrevocably opposed to the central features of the 18-nation proposal. He was prepared to enter into an agreement to fix the scale of dues and to modernise the 1888 Convention guaranteeing freedom of navigation but he specifically rejected anything other than entire Egyptian operation of the Canal.

Termination of talks with Colonel Nasser:

At this point the committee agreed that to spend further time in efforts at persuasion would be fruitless..

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To terminate the talks with the clearest possible definition of the fundamental differences between the 18-nation position and the Egyptian position, the committee on 7th September sent Colonel Nasser a considered memorandum the text of which is given in Appendix 3. Colonel Nasser's reply (Appendix 4) was received on 9th September.

At the London Conference, the Spanish delegation requested that in the event that the committee was unable to reach agreement with the Egyptian Government, on an international board for the Suez Canal, the Committee should bring to Colonel Nasser's attention the Spanish proposal at the Conference. This was duly done, but no mention is made of it in Colonel Nasser's reply. The essence of the Spanish proposal, which was in the form of an amendment to the 18-nation statement, was that the board to operate, maintain and develop the Canal should be Egyptian with "an adequate representation of the community of Nations" using the Canal.

The committee had in all four meetings with the Egyptian President and proposed after a formal leave taking to leave Cairo for London on 10th September.

Reporting back to London Conference:

The committee is required to report back to the London Conference but it is not yet clear how this will be done: Mr. Menzies has in mind reporting to Mr. Selwyn Lloyd in his capacity of chairman of the London Conference although other members of the committee think the report should be made simultaneously to the representatives of the 18 Nations, presumably in London.

Publication of Documents:

The committee has arranged for the following documents to be published: the aide memoire to Colonel Nasser of 3rd September (Appendix I); the committee's memorandum of 7th September to Colonel Nasser (Appendix 3); Colonel Nasser's reply (Appendix 4); and a letter from the committee to the Egyptian Government, conveying the Spanish proposals.

NEXT STEPS:

United Kingdom:

The United Kingdom is now urgently considering its next steps under two heads:

- (a) recourse to the Security Council; and
- (b) action with regard to dues.

Their view is that having explored the possibilities under Article 33 of the United Nations Charter (peaceful settlement of disputes) they should now

/go to the

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go to the Security Council to consider the dispute under Chapter VII as a threat to the peace, and calling upon Egypt to negotiate a just and equitable arrangement for the international operation of the Canal on the basis of the 18 Nation proposals. They consider that their request for a meeting will have to be made within the next few days.

With regard to Canal dues, the United Kingdom consider it is essential to avoid the danger that President Nasser should continue to benefit from his act pending discussion in the Security Council. The United Kingdom is, therefore, thinking of asking all major users of the Canal to make a statement as early as possible to the following effect:

- (a) that they do not recognise the nationalisation of the Canal;
- (b) that they shall take steps to deny transit dues to the Egyptian Government or the new Egyptian Board; and
- (c) that they are advising their ship owners accordingly.

France:

The French appear to support these proposals and have suggested that it would be unwise to go to the Security Council until undertakings had been obtained from the United States that they would not support any resolution in the Council which varied materially from the London proposals or restricted their eventual freedom of action.

N.A.T.O.:

The United Kingdom proposal about reference to the Security Council was raised last week in the N.A.T.O. Council where the general feeling appeared to be that there should be a recourse to the United Nations before any forcible steps were taken. The Belgians spoke strongly on these lines and were supported by the Turks and Germans. The Canadians also are not in favour of the use of force except as a last resort : the text of Mr. Pearson's statement is attached at Appendix 5 and the views of the Canadian Prime Minister are given in Appendix 6.

United States:

The United States, as President Eisenhower said on 31st August is "committed to a peaceful settlement, nothing else."

Initial reactions to the United Kingdom proposals, however, appear to be opposed to referring the dispute to the United Nations on the grounds that the United Kingdom-French position is not yet strong enough to command general support. These views are reported in the cables attached at Appendices 7 and 8.

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An alternative suggestion which is now being canvassed is that the United Kingdom and possibly other powers might address a letter to the Security Council drawing attention to the gravity of the situation and stressing the need for Egypt to negotiate a settlement.

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(R. G. CASEY)
MINISTER FOR EXTERNAL AFFAIRS

Canberra A.C.T.

11th September, 1956.

- Appendix 1: Aide memoire left with Colonel Nasser on 3rd. September.
- " 2: Mr. Menzies comments on his interview with Colonel Nasser.
- " 3: Memorandum sent to Colonel Nasser on 7th September.
- " 4: Colonel Nasser's reply.
- " 5: Mr. Pearson's statement.
- " 6: Views of the Canadian Prime Minister.
- " 7 & 8: Reactions of United States of America

TOP SECRET

TOP SECRET

COPY NUMBER 39

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM.

BH:AS

I.11632

Dated: 4th September, 1956
1808

FROM:

Rec'd: 5th September, 1956
0830Australian Legation,
CAIRO.

268

203. TOP SECRET.

For Fadden From Menzies.

Further to my 202.

It is too early to offer any opinion about Egypt's reactions to my explanation and presentation of the 18-Power statement on Monday evening. I spoke for about five minutes. We had earlier suggested that Nasser (group omitted) not reply at once. He is likely to do so at the Tuesday evening meeting although he may begin by asking questions.

2. Each of the four members of the committee expressed himself warmly to me afterwards about presentation of the case. The significance of this is that the committee is united and I have taken particular care to keep it so.

3. After the formal presentation of the committee's views I spent some time alone with Nasser. I emphasised to him that he would be mistaken if he assumed that the London conference had declared against the use of force. In truth the London conference had not addressed itself to the question. I told him that I had good reason to know that the United Kingdom and French Governments took a most serious view of Egypt's actions. Nasser would be most unwise to assume that the use of force was ruled out in the absence of a satisfactory settlement by the agreement. I made clear that I was ~~not~~ purporting to convey to him the intentions of those two governments which I did not know.

4. Nasser took this calmly and said he was well aware that he could not assume that forcible measures would not be used.

5. The Egyptians have received the committee correctly and courteously. We, for our part, have gone to some length to create an atmosphere in which reasoned discussion can occur avoiding any implication that the committee is bearing an ultimatum. The committee had decided to meet Nasser without his advisers in order to gain advantage of intimate discussion.

6. We have told the Egyptians that we do not propose to issue press communiques.

(Received via Secretary of State for Commonwealth Relations, London as Number 17).

MIN&DEPT EA MIN&DEPT DEFENCE
MR. E. J. DUNNING

5th September, 1956

TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER. 37

BH:SHA

INWARD CABLEGRAM. 790/1.

Dated: 6th September, 1956.
2241
Recd.: 7th September, 1956.
1900

FROM:

Australian Embassy,
WASHINGTON.

914.

TOP SECRET.IMMEDIATE.

267

Repeated Cairo Misc. 51, London 102.

Suez.

My 907.

I saw Rountree today and gave him substance of Abdulgani's message to Minister (your 702 paragraph 2). He expressed appreciation.

2. I said I gathered that in Cairo meetings Nasser showed no disposition to negotiate on basis of 18 nation proposals. Rountree said it seemed clear enough that Nasser was at present juncture not prepared to negotiate solution along lines of 18 nation proposal. It was quite possible today's meeting would be the last.

3. I asked what next steps United States envisaged. Rountree said United States has been assuming 5-Power Committee would report back to Governments through diplomatic channels rather than by convening another conference. This did not include a report to meeting of diplomatic representatives in London. (At this stage Rountree referred to Prime Ministers "admirable contribution" in Cairo).

4. Apart from this procedural step Rountree said United States simply did not know what next substantive step would be. Considerable thought had been given to possibility of bringing question to Security Council - United Kingdom and France, had, he understood, given matter some consideration; Egypt might possibly do it despite Nasser's renewed denial on 2nd September of any such intention; Secretary General might do so under Article 99. It was, however, difficult to see what Security Council could do to bring about an effective and peaceful solution. Any resolution considered by users as proper and effective could not get by Soviet veto, although admittedly, even majority vote would have certain moral force. In general, United States was not, however, excluding possibility of United Nations action.

5. Rountree continued it was difficult to see how present situation could continue after break-off of talks which seemed probable. Canal pilots would probably quit whether entirely of their own volition or not. Whether or not they would be told to stay on would depend on French and United Kingdom decision after present Cairo meetings. If pilots quit or "other measures" were taken by either side, resultant break-down in Canal would produce "serious and grave situation". A major problem would be the time factor. It was difficult to see how any United Nations discussions could be completed quickly enough to ensure no undue delay in the operation of the Canal.

TOP SECRET

INWARD CABLEGRAM.

COPY NUMBER.....

I.11790/1.

- 2 -

6. Rountree said United Kingdom and France were considering other measures and instanced economic sanctions. This, however, would be fairly lengthy process if it were to have any major effect on Egyptian economy, especially since Egypt could have recourse to Communist bloc economy.

7. Rountree said a major aspect of the situation which should be emphasised, was that despite cancellation of concessions, 1888 Convention remained in effect - a fact that Nasser did not dispute. That Convention was not conditional on payment of tolls to Egypt or Egyptian operation or Egyptian provision of pilots. We should not minimize the strength of our own legal position in this regard, namely, right of international community to use of Canal. Cancellation of concession did not impede that right.

8. I asked Rountree what this meant in practical terms. Rountree said it would be one thing to "undertake aggression" against Egypt because of the latter's unwillingness to enter into a new treaty commitment; it would be another thing to use military force if Egypt impeded free use of the Canal. I suggested that if such impediment occurred, Nasser would seek to manoeuvre himself into a position where he could claim it was due not to any positive Egyptian action but to a situation for which the West was responsible, e.g. withdrawal of pilots. Pursuing his line of thought Rountree said that rights of international community under 1888 Convention were also irrespective of payment of tolls so that Egypt could not properly deny access to Canal because of refusal of international community to pay tolls in circumstances not acceptable to them.

9. Reverting to the possibility of United Nations action, Rountree said further difficulty was the possibility of a resolution calling on all parties to forego the use of force in all circumstances. That might tie our hands completely. By and large he thought that if the matter did come to the Security Council, it was more likely to come through Egyptian initiative.

10. Rountree said that, in the light of discussions in Cairo, it would be possible to see if there was any room for movement. I asked for clarification. Rountree said if Nasser bluntly refused to negotiate on basis of 18 nation proposals, if he made it clear he was firmly opposed to minimum principles of those proposals, the exercise would be over. He might, however, leave some room for movement. I asked whether those proposals did, in his view, in fact indicate the minimum principles. Rountree said they did but there were various ways of achieving those principles. United States felt that problem was to ensure that we had adequate degree of control. We should not ask Nasser directly "will you accept international control?" We must find another way of putting the idea to him. We would need to have an illustrative arrangement within our principal statement showing how various practical components of problem might be handled. (The really vital components he said, were hiring and firing of pilots and imposition, collection and disbursement of tolls).

TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS COPY NUMBER.....

INWARD CABLEGRAM

1.44790/1.

- 3 -

Rountree hoped it might be possible to explore this with Nasser before the 5 Power Committee leaves Cairo.

Spender.

A/P.M. & DEPT.
MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE

7th September, 1956.

765

TOP SECRET

TOP SECRET

COPY NUMBER 16

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM.

I. 11864.

RR:04.

Sent: 8th September, 1956.
1636.

FROM:

Recd: 9th September, 1956.
0900

Australian Embassy,
PARIS.

305. TOP SECRET.

Repeated London 99.

I went today (7th September) to see the Director General of N.A.T.O. He said proceedings of Council Meeting 5th September had been kept particularly secret. Beforehand several members, especially the United States of America and Canada had been perturbed, thinking British foreign secretary was coming over to seek along with the French a declaration of support.

2. Ismay said Lloyd had handled Council well. He had stressed that he did not ask for any such declaration. He told them what had happened at London Conference at which several members had not been represented and then explained the policy of military preparation. Speaking on similar lines Lloyd and Pineau had emphasised the large number of their nationals in areas involved whose protection must be ensured. There was no question of using force unless Egypt used it first or unless Egypt imprisoned their pilots or took discriminatory action against their ships in the canal. (Ismay commented that earlier British propaganda had not been good. It should have concentrated all along on the precautionary character of military preparations).

3. According to Ismay only the Belgians had taken a strong line in support. Turkey had spoken. Also Germany but only generalities. The rest had said nothing but it was easy to see they felt there should be a recourse to the United Nations before any forcible steps were taken.

4. He asked that you regard the above as very confidential.

5. As regards the U.S.S.R. he said their attitude at the London Conference had been clearly one of wanting no agreement of any kind. If the Egyptians had agreed, the Russians would still have disagreed.

6. He thought there was a bad six months ahead. Everywhere you looked there was trouble. He instanced Cyprus for which he would like to see a N.A.T.O. solution with Great Britain acting as agent for N.A.T.O. and Greek and Turkish deputy governors. Also Iceland: he had today had to complain to the Americans because of their heavy-handedness over this problem.

7. The French Parliament. There seems to be no disposition at present to follow the United Kingdom's lead and recall Parliament.

TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER.....

INWARD CABLEGRAM.

- 2 -

I. 11864.

8. "Le Monde this evening had a leader on recourse to United Nations, saying, while not very noticeable in France, the movement favouring this course has already greatly grown in England and is even more marked and general in United States.

Stirling.

263

MIN & DEPT. E.A.
MIN & DEPT. DEF.
MR.E.J.BUNTING.

9th September, 1956.

SEC MR.BOOKER, MR.FORSYTH MR.WALLER MR.KEVIN DR.WYNES, MR.RENOUF
MR.LOOMES MR.FURLONGER MR.LANDALE MR.BILLINGTON MR.DAVIS MR.LOVEDAY
MR.LAWREY.

TOP SECRET

TRIPLICATE.

DEPARTMENT OF EXTERNAL AFFAIRS.

DOCUMENT RECEIPT.

Issued to *Cabinet Secretariat* Date *11.9.56*

I acknowledge receipt of *D. 12068/9 (36 copies)*

(To be filled in by originator. Give reference number and date of origin only.)

To be attached to Records' Copy.

5300...

TOP SECRET

COPY NUMBER.....

DEPARTMENT OF EXTERNAL AFFAIRS.

OUTWARD CABLEGRAM⁰.12068/9

Sent: 7th September, 1956.
1940

SA:HP

TO:

Australian Legation,
CAIRO.

262

201. TOP SECRET. IMMEDIATE.

Menzies from Casey.

I do not suppose that there is much that we can send you from here that will be of use to you at this stage in your talks with Nasser. I imagine that Nasser is impressed with the extent of the financial burden of maintaining and expanding the Canal in the future. From which he would be entirely relieved by the 18-Power proposal. I am sure that you have rubbed in to him the considerable financial advantage to Egypt of the 18-Power proposal. However I expect that pride and prestige put the economic aspect into the background.

I am directing myself in this telegram to what happens if the Cairo talks break down through Nasser rejecting the main content of the 18-Power proposals.

I wonder if the United Kingdom Government realises the inevitable implications of the use of force. If and when the first round is fired, the merits of the Suez Canal dispute will be forgotten, and the fact that a Great Power has used force on a small Afro Asian Nation to deal with a political problem will dominate the minds of the majority of the countries of the world. World opinion would be overwhelmingly against the United Kingdom and inferentially against Australia. The 18 powers would dwindle to a very few.

If and when the Cairo talks break down then I would most fervently hope that the Suez Canal problem is taken by the United Kingdom to the Security Council if only to give opportunity to ventilate the subject fully and to impress on the world the merits of our case. Reference to Security Council would no doubt be followed by a Russian veto. This could be followed by Special General Session of General Assembly, but it is doubtful whether United Kingdom could get support of two-thirds majority (equally Egypt could probably not get two-thirds either). Reference to United Nations consequently does not promise any positive result. Its value seems to lie in demonstrating United Kingdom desire to exhaust all means of reaching peaceful settlement. If however United Kingdom is prepared to contemplate some settlement short of what it has hitherto maintained as the minimum (such as Egyptian assurances it will observe 1888 or revised Convention, with some international machinery to assure this) then United Nations might be forum for achieving this and saving face of United Kingdom and Egypt.

To my mind it is no use the United Kingdom keeping on repeating that the Suez matter is "life or death" to her. They should have thought of that in the last several years when most vicious propaganda was being built up against her in every Middle East country, and apparently without equally vigorous response.

TOP SECRET

/The more.....

TOP SECRET

COPY NUMBER.....

DEPARTMENT OF EXTERNAL AFFAIRS.

-2-

6.12068/9

OUTWARD CABLEGRAM.

The more real issue now is that the use of force in the Suez issue would "life or death" to Britain - and more likely death than life, by reason of the overwhelming volume of world opinion against her that the use of force would generate, which would very greatly diminish her influence in world affairs. This probable result would be a very high price to pay for an attempt to eliminate Nasser as the Head of State in Egypt. Nor would it, I believe, by any means guarantee that the movement for the elimination of Western influence and interests in the Middle East would be defeated. Possibly the reverse.

In other words, I believe that there would be less damage to Britain's prestige and interests by avoidance of the use of force than by the use of force.

If Britain were to use force, Israel would want to horn in, if only to even up the score against Egypt. This would bring in a majority of Arab countries against Israel and so against Britain.

I say nothing of the attitude of America and Russia towards the use of force, which would be only speculation.

Difficult as your task has been in Cairo, I would believe that your subsequent task in London will be even more difficult - that of weaning the United Kingdom away from the use of force, which I would believe offers no solution in any event.

As you know, Cabinet has been strongly sympathetic with the British cause and I have no doubt that this attitude will continue, whatever the outcome, although this has not been discussed since I returned to Australia.

I am in Melbourne and Fadden and McBride are elsewhere. I have told them of the general content of this telegram, with which they are in agreement. Although they have not seen it in detail.

Fadden asks me to say that there has been no Cabinet discussion about next steps, but whatever they are to be we want to make sure that the United Kingdom think the thing through calmly and realistically, and acquaint us in detail with their views and reasons, including their detailed thinking on successive next steps to be taken by United Kingdom and associated countries.

Min. & Dept. External Affairs.
Sir Philip McBride.
Sir Frederick Shedden.
Mr. E.J. Bunting.

Cost - £73.15.0

8th September, 1956.

TOP SECRET

Copy No. 1
DEPARTMENT OF EXTERNAL AFFAIRS.

OUTWARD TELETYPE MESSAGE.

MESSAGE NUMBER 1068

4.40

7.9.56

TO MINISTER AND PLIMSOLL

FROM KEVIN

TO P S E C R E T

TOP SECRET

=====

THE HEADINGS UNDER WHICH WE NEED OR SHALL NEED INFORMATION AT SOME STAGE ARE THESE:-

CAIRO DISCUSSIONS:

-
1. HOW WAS THE LONDON DECLARATION INTERPRETED TO NASSAR BY THE VISITING MISSION? THE AIDE MEMOIRE HANDED TO NASSAR SPOKE OF THE NEED FOR "A DEFINITE SYSTEM FOR THE OPERATION, MAINTENANCE AND DEVELOPMENT OF THE CANAL." IT DOES NOT GO MUCH BEYOND THIS.
 2. PARAGRAPH 3(A) OF THE EIGHTEEN NATIONS DECLARATION, AS ALTERED BY THE PAKISTANI AMENDMENT PROVIDES THAT THE OPERATION OF THE CANAL WOULD BE THE RESPONSIBILITY OF A SUEZ CANAL BOARD, THE STATUS OF WHICH WOULD BE DEFINED BY A CONVENTION TO BE NEGOTIATED WITH EGYPT. THE PAKISTANI AMENDMENT DELETED THE EXPRESSION "INTERNATIONAL BOARD" WHICH APPEARED IN THE FIRST DULLES DRAFT. DID NASSAR DIRECT ANY DISCUSSION TO POSSIBLE IMPLICATIONS OF THE PAKISTANI AMENDMENT.
 3. DOES ACCEPTANCE BY THE EIGHTEEN NATIONS OF THE PAKISTANI AMENDMENT, WHICH INTRODUCED SOME AMBIGUITY INTO THE DECLARATION, NEVERTHELESS MEAN THAT ALL EIGHTEEN POWERS HOLD TO THE PRINCIPLE OF INTERNATIONAL CONTROL AND OPERATION. IT SEEMS THAT THE SUEZ// SUEZ COMMITTEE IS INTERPRETING THE EIGHTEEN POWER DECLARATION STRICTLY IN TERMS OF INTERNATIONAL MANAGEMENT AND CONTROL.
 4. TELEGRAM 209 FROM CAIRO STATES THAT NASSAR HAS SPECIFICALLY REJECTED ANYTHING OTHER THAN ENTIRELY EGYPTIAN OPERATION AND HAS NOT EVEN VOLUNTEERED THE ADVISORY BOARD WHICH THE INDIAN PROPOSAL CONTEMPLATED. WERE ANY PARTICULAR FORMS OF INTERNATIONAL CONTROL OR SUPERVISION AS DISTINCT FROM OPERATION DISCUSSED WITH NASSAR?
 5. WAS THERE ANY DISCUSSION WITH NASSAR ON THE QUESTION OF ASSOCIATING THE UNITED NATIONS WITH THE CONTROL OR SUPERVISION OR OPERATION OF THE CANAL?

10-11-63 230500
LONDON HEATH
10 WINT. JEN VOB SPINCOFF
MESSAGE NUMBER 1082
HMS NASSAR GIVEN ANY INDICATION AS TO WHAT HE PROPOSED TO DO IN
THE EVENT OF A BREAKDOWN IN THE TALKS? PRESUMABLY HE SIMPLY AWAITS
THE NEXT MOVE BY THE EIGHTEEN POWERS.

NEXT STEP

=====

1. TELEGRAM 209 INDICATES THAT THE SUEZ COMMITTEE WILL REPORT EARLY
NEXT WEEK TO LLOYD AS CHAIRMAN OF THE LONDON CONFERENCE. WILL IT
BE NECESSARY TO RECONVENE THE CONFERENCE IN ORDER TO RECEIVE THE
COMMITTEE'S REPORT OR WILL LLOYD TRANSIT THE REPORT THROUGH DIPLOMATIC
CHANNELS? MR MENZIES' TELEGRAM SUPPORTS // SUGGESTS THAT IT WILL
BE FOR LLOYD TO ADVISE THE CONFERENCE MEMBERS AS HE THINKS FIT.
2. WHETHER OR NOT THE CONFERENCE RECONVENES HOW ARE WE TO READ
YESTERDAY'S PRESS REPORT FROM PARIS THAT MEMBERS OF NATO WANT TO
TAKE THE SUEZ DISPUTE TO THE UNITED NATIONS AND ARE UNWILLING TO
SUPPORT MILITARY ACTION BY THE UNITED KINGDOM AND FRANCE?
3. WHETHER OR NOT THE CONFERENCE IS RECONVENED CAN WE TAKE IT THAT
THE EIGHTEEN NATIONS WILL HOLD TO THE PRINCIPLE OF INTERNATIONAL
OPERATION OR WILL SOME OF THEM VEER TOWARDS SOMETHING LESS THAN THIS?
AS INDICATED IN PARA 3 UNDER "CAIRO DISCUSSIONS" IT IS DIFFICULT
FOR US HERE TO JUDGE JUST HOW FAR MANY OF THEM HAVE COMMITTED THEMSEL-
VES TO INTERNATIONAL OPERATION. OUR ANALYSIS OF THE VERBATIM REPORT
OF THE LONDON MEETINGS LEAVES SOME DOUBT IN OUR MINDS AS TO WHERE
EXACTLY A NUMBER OF THEM STAND.
BRITISH AND FRENCH POSITION

=====

(A) UNITED NATIONS

- =====
1. ARE THE BRITISH CONTEMPLATING REFERENCE TO THE UNITED NATIONS?
 2. IF SO TO THE SECURITY COUNCIL OR THE GENERAL ASSEMBLY?
 3. ON WHAT GROUNDS WOULD IT BE PRESENTED?

(B) ECONOMIC SANCTIONS

=====

- (C) MILITARY FORCE

=====

- 288

ISRAEL

=====

MESSAGE ENDS

TOP SECRET

COPY NUMBER 15

INWARD CABLEGRAM

BH:SHA

1:11790/1.

FROM:

Australian Embassy,
WASHINGTON.Dated: 6th September, 1956.
2241
Recd.: 7th September, 1956.
1900

914.

TOP SECRET.IMMEDIATE.

Repeated Cairo Misc. 51, London 102.

Suez.

My 907.

I saw Rountree today and gave him substance of Abdulgani's message to Minister (your 702 paragraph 2). He expressed appreciation.

2. I said I gathered that in Cairo meetings Nasser showed no disposition to negotiate on basis of 18 nation proposals. Rountree said it seemed clear enough that Nasser was at present juncture not prepared to negotiate solution along lines of 18 nation proposal. It was quite possible today's meeting would be the last.

3. I asked what next steps United States envisaged. Rountree said United States has been assuming 5-Power Committee would report back to Governments through diplomatic channels rather than by convening another conference. This did not include a report to meeting of diplomatic representatives in London. (At this stage Rountree referred to Prime Ministers "admirable contribution" in Cairo).

4. Apart from this procedural step Rountree said United States simply did not know what next substantive step would be. Considerable thought had been given to possibility of bringing question to Security Council - United Kingdom and France, had, he understood, given matter some consideration; Egypt might possibly do it despite Nasser's renewed denial on 2nd September of any such intention; Secretary General might do so under Article 99. It was, however, difficult to see what Security Council could do to bring about an effective and peaceful solution. Any resolution considered by users as proper and effective could not get by Soviet veto, although admittedly, even majority vote would have certain moral force. In general, United States was not, however, excluding possibility of United Nations action.

5. Rountree continued it was difficult to see how present situation could continue after break-off of talks which seemed probable. Canal pilots would probably quit whether entirely of their own volition or not. Whether or not they would be told to stay on would depend on French and United Kingdom decision after present Cairo meetings. If pilots quit or "other measures" were taken by either side, resultant break-down in Canal would produce "serious and grave situation". A major problem would be the time factor. It was difficult to see how any United Nations discussions could be completed quickly enough to ensure no undue delay in the operation of the Canal.

TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS

COPY NUMBER.....

INWARD CABLEGRAM.

I.11790/1.

- 2 -

6. Rountree said United Kingdom and France were considering other measures and instanced economic sanctions. This, however, would be fairly lengthy process if it were to have any major effect on Egyptian economy, especially since Egypt could have recourse to Communist bloc economy. 256

7. Rountree said a major aspect of the situation which should be emphasised, was that despite cancellation of concessions, 1888 Convention remained in effect - a fact that Nasser did not dispute. That Convention was not conditional on payment of tolls to Egypt or Egyptian operation or Egyptian provision of pilots. We should not minimize the strength of our own legal position in this regard, namely, right of international community to use of Canal. Cancellation of concession did not impede that right.

8. I asked Rountree what this meant in practical terms. Rountree said it would be one thing to "undertake aggression" against Egypt because of the latter's unwillingness to enter into a new treaty commitment; it would be another thing to use military force if Egypt impeded free use of the Canal. I suggested that if such impediment occurred, Nasser would seek to manoeuvre himself into a position where he could claim it was due not to any positive Egyptian action but to a situation for which the West was responsible, e.g. withdrawal of pilots. Pursuing his line of thought Rountree said that rights of international community under 1888 Convention were also irrespective of payment of tolls so that Egypt could not properly deny access to Canal because of refusal of international community to pay tolls in circumstances not acceptable to them. 257

9. Reverting to the possibility of United Nations action, Rountree said further difficulty was the possibility of a resolution calling on all parties to forego the use of force in all circumstances. That might tie our hands completely. By and large he thought that if the matter did come to the Security Council, it was more likely to come through Egyptian initiative.

10. Rountree said that, in the light of discussions in Cairo, it would be possible to see if there was any room for movement. I asked for clarification. Rountree said if Nasser bluntly refused to negotiate on basis of 18 nation proposals, if he made it clear he was firmly opposed to minimum principles of those proposals, the exercise would be over. He might, however, leave some room for movement. I asked whether those proposals did, in his view, in fact indicate the minimum principles. Rountree said they did but there were various ways of achieving those principles. United States felt that problem was to ensure that we had adequate degree of control. We should not ask Nasser directly "will you accept international control?" We must find another way of putting the idea to him. We would need to have an illustrative arrangement within our principal statement showing how various practical components of problem might be handled. (The really vital components he said, were hiring and firing of pilots and imposition, collection and disbursement of tolls).

I do not agree - really vital thing is non-interference.

TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER.....

INWARD CABLEGRAM 790/1.

- 3 -

Rountree hoped it might be possible to explore this with Nasser
before the 5 Power Committee leaves Cairo.

Spender.

A/P.M. & DEPT.
MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE

7th September, 1956.

SEC A/ss DR WYNES MR RENOUF MR LOOMES MR LANDALE MR BILLINGTON
MR DAVIS MR LOVEDAY MR LAWREY

TOP SECRET

EXTERNAL AFFAIRS. TOP SECRET.

File No. 163/4/7/3/3.

Date 4th September, 1956 .

2959/55.

SUBJECT

SUEZ CANAL: USE OF FORCE: AUSTRALIAN PARTICIPATION. *234*

FOR MR. LANDALE.

The Minister for the Army has been misreported in the press - see Cairo's telegram No. 190 and Tokyo's No. 279 - as saying that "if there was a demand for despatch of troops through the Suez crisis, Australia is ready to send one battalion of fully equipped troops and can soon mobilise another battalion. If necessary, she can mobilise a complete division of 17,000 men."

2. The report can either be allowed to stand or corrected.

3. If the report is allowed to stand, it will be open to the following interpretation:

- (a) that Australia foresees the possible need to impose a military solution on Egypt;
- (b) that the Australian Government is prepared to support this policy actively.

4. On the other hand, if the report is corrected, it may be interpreted as a sign of weakness, detracting from our hitherto fairly strong, public support of the United Kingdom.

5. The Prime Minister has not indicated whether he will be correcting the impression given by these reports and I suggest that any need for a public correction must first be cleared with him so as not to embarrass further the negotiations in Cairo. Events may, however, take over and some correction emerge from question time in the House to-day.

6. It might, however, be considered desirable to send the attached draft cable to the posts indicated.

DJB.

M.E. Section.

Mr Billington

*The air has been cleared by acting
PM's answer to Dr Evatt's
question. Mr Prime Minister decided
that copies of the question and
answer should be*

TOP SECRET.

*distributed to posts by day
and NOT telegraphed - this decision
stands in spite of Evatt's telegram 5/9
the minister was*

TOP SECRET

COPY NUMBER 8

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM.

I. 11696

HMc/BH

Sent: 5th September, 1956
1356
Rec'd: 6th September, 1956.
0830

FROM:

Australian Embassy,
WASHINGTON.

902. TOP SECRET IMMEDIATE.

Addressed Cairo Miscellaneous 47.

For the Prime Minister only

From Spender repeated to Mr. Casey.

Eugene Black rang me this morning and suggested that it might aid your discussions if in any way either within the Conference or otherwise you could contrive to talk to Kassouri, Minister for Finance who is very well known to him and is regarded by him as a highly intelligent, objective and sensible man.

Black has asked me to transmit this message to you.

MIN. & DEPT. E.A.
MR. E.J. BUNTING

6th September, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

TOP SECRET.

TOP SECRET

File No.

EXTERNAL AFFAIRS. COPY NO. 2 OF 4

Record of Conversation with the CANADIAN HIGH COMMISSIONER (MR. IRWIN)
on 5th September, 1956
Officers Present THE ACTING SECRETARY (MR. PLIMSOLL)

MAIN SUBJECT(S):

SUEZ CANAL

252

1. Mr. Irwin said that the Canadian Government was most interested to have the latest information on the Suez Canal discussions in Cairo.
2. I told Mr. Irwin that I would give him the following information on a most secret basis, and asked him to inform his Government accordingly and to ask that it be kept to as few people as possible.
3. I told Mr. Irwin that the Committee saw Nasser on 3rd September and left an aide memoire setting out in very reasonable terms the views of the eighteen nations. (I let Irwin read telegram No. 194 from the Australian Legation Cairo containing the text of the aide memoire.) I said Mr. Menzies had also seen Nasser privately. The four members of the Committee were in agreement with everything done so far. When Mr. Menzies saw Nasser alone, he told him he had good reason to know that the United Kingdom and French Governments took a most serious view of Egypt's actions; and that Nasser would be unwise to assume that the use of force was ruled out in the absence of a satisfactory agreement. Mr. Menzies made it clear that he was not purporting to convey to Nasser the intentions of those two Governments, which Mr. Menzies said he did not know. Nasser took this calmly and said he was well aware that he could not assume that forcible measures would not be used.
4. I said that the Egyptians had received the Committee correctly and courteously. The Committee had gone to some length to create an atmosphere in which reasoned discussion could occur and to avoid any implication that the Committee was bearing an ultimatum.
5. I stressed again that it was most important that this information should not leak out in any way.

DISTRIBUTION:

* Minister.
* Ag Secretary.
A/S U.N.

* A/S (4)
A/S Admin.
L. & T. Div.

Central Br.
Pacific Br.
Western Br.

D.L. & P.I. Br.
U.N. Branch.
E.R. Branch.

E. & T.A. Br.
C. & P. Br.
C'wealth. Rels.

Admin. Branch.
Antarctic Div.
Melbourne Office.
Sydney Office.

FOLLOWING POST(S):

M. Plimsoll
Ottawa

Report prepared by *J. Plimsoll*
(J. Plimsoll)

ACTION:

2960/55.

TOP SECRET

TOP SECRET

File No.

EXTERNAL AFFAIRS. COPY NO. / OF 4

Record of Conversation with the CANADIAN HIGH COMMISSIONER (MR. IRWIN)
on 5th September, 1956
Officers Present THE ACTING SECRETARY (MR. PLIMSOLL)

MAIN SUBJECT(S):

SUEZ CANAL

251

1. Mr. Irwin said that the Canadian Government was most interested to have the latest information on the Suez Canal discussions in Cairo.

2. I told Mr. Irwin that I would give him the following information on a most secret basis, and asked him to inform his Government accordingly and to ask that it be kept to as few people as possible.

3. I told Mr. Irwin that the Committee saw Nasser on 3rd September and left an aide memoire setting out in very reasonable terms the views of the eighteen nations. (I let Irwin read telegram No.194 from the Australian Legation Cairo containing the text of the aide memoire.) I said Mr. Menzies had also seen Nasser privately. The four members of the Committee were in agreement with everything done so far. When Mr. Menzies saw Nasser alone, he told him he had good reason to know that the United Kingdom and French Governments took a most serious view of Egypt's actions; and that Nasser would be unwise to assume that the use of force was ruled out in the absence of a satisfactory agreement. Mr. Menzies made it clear that he was not purporting to convey to Nasser the intentions of those two Governments, which Mr. Menzies said he did not know. Nasser took this calmly and said he was well aware that he could not assume that forcible measures would not be used.

4. I said that the Egyptians had received the Committee correctly and courteously. The Committee had gone to some length to create an atmosphere in which reasoned discussion could occur and to avoid any implication that the Committee was bearing an ultimatum.

5. I stressed again that it was most important that this information should not leak out in any way.

*Shown to Minister who
affirmed our keeping the Canadian
H.C. informed.
J. Plimsoll
6/9/56*

DISTRIBUTION:

* Minister.
* Ag Secretary.
A/S U.N.

* A/S ~~Sec~~ (4)
A/S Admin.
L. & T. Div.

Central Br.
Pacific Br.
Western Br.

D.L. & P.I. Br.
U.N. Branch.
E.R. Branch.

E. & T.A. Br.
C. & P. Br.
C'wealth. Rels.

Admin. Branch.
Antarctic Div.
Melbourne Office.
Sydney Office.

FOLLOWING POST(S):

Ottawa

Report prepared by *J. Plimsoll*
(J. Plimsoll)

ACTION:

2960/55.

TOP SECRET

TOP SECRET
COPY NUMBER.....16

DEPARTMENT OF EXTERNAL AFFAIRS

INWARD CABLEGRAM.

SH:VA

I. 11733

Sent: 5th September, 1956
2109
Rec'd: 6th September, 1956
1100

FROM:

Australian Legation,
CAIRO.

208. TOP SECRET.

Repeated Karachi 3, Washington 7, London
37 (London please pass Paris 3, Rome 3, Bonn 1 and The Hague
1), Tokyo 1, Wellington 1.

From Tange.

The Committee met Cairo representatives of countries supporting the Dulles proposals at 5 p.m. on 5th September. The Prime Minister spoke for approximately 15 minutes with the object of bringing them into the picture. He said the Committee had become as well knit a team as one could possibly find. In view of the intensity of feeling, speed was essential. There was fortunately no indication of anything but a desire on both sides of the table to bring discussion to a conclusion - although what conclusion was as yet guesswork. It was not the Committee's task to engage in negotiations but to present expound, explain and discuss the proposals worked out in London. The Committee had a restricted jurisdiction and had no power or desire to depart from it. Within its mandate it was, however, still possible to clarify and illustrate. The Committee and the 18 nations believed it was quite vital to take politics out of the Suez Canal. It had become the subject of acute political considerations only of late with confusion of opinion, extreme statements and slogans. We should get away from slogans and come back to practical considerations nobody contests Egypt's sovereignty. If Egypt were to participate in an international agreement setting up an operational body on which it would itself be represented operating as a tenant on Egypt's soil this could not derogate from her sovereignty. By nationalising the Canal, President Nasser had destroyed the confidence of users and of world finance - a body with co-operative powers under international guarantee would produce confidence. There was a useful analogy in the International Bank. The setting up of such a body was essential to getting politics out of the Canal. The proposed Board should be composed of men who would not be mere servants of Governments but whose very presence would be an assurance of honest and non political action. Each one of them might, for instance, represent a group of nations. There was in some quarters a belief that anyone politically appointed must be a politician. If this were true the whole juridical system in the world would fall to the ground. The Board might be established by an international convention to which Egypt would be a free and willing signatory.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
MR. E.J. BUNTING

6th September, 1956.

TOP SECRET

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN DR. WYNES
MR. RENOUF MR. LOOMES MR. FURLONGER MR. LANDALE MR. BILLINGTON
MR. DAVIS MR. LOVEDAY MR. LAINREY

TOP SECRET

COPY NUMBER 20

OUTWARD CABLEGRAM.

BGH:SH

O. 11548

Sent. 28th August, 1956
1000

TO:

Australian High Commission,
L O N D O N.1980. TOP SECRET - IMMEDIATEFor Tange from Plimsoll. 249

1. On 24th August, we told Cutler that risk of an armed clash between Egypt on the one hand and U.K. and France on other could not be ruled out. We added: "You will be well placed to watch the progress of the approach which is to be made to Nasser. If this fails and no alternative means is found to keep the discussion going, then at that point of time rather than waiting for a further deterioration in the general situation it might be wise to give another discreet and appropriate warning to Australian nationals. We leave you to exercise your own discretion on this without necessarily waiting for further instructions from here."
2. Cutler has now cabled: "Assume I may evacuate legation families without prior approval if the situation deteriorated suddenly. This is not envisaged, but approval in principle would save time."
3. Our reply is in our immediately following telegram.

(COST £15.3.4)

28th August, 1956

A/P.M.

SIR PHILIP McBRIDE

SIR FREDERICK SHEDDEN

MR. E.J. BUNTING

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS COPY NUMBER 20

OUTWARD CABLEGRAM.

DLB:VA

O. 11549/50

Sent: 28th August, 1956
1012

TO:

Australian Legation,
CAIRO.....170.

Repeated -

Australian High Commission,
LONDON.....198. (For External - For Tange).

TOP SECRET. IMMEDIATE.

For Cutler.

Your telegram 186.

1. We must leave to your discretion the question of evacuating Legation families if the situation deteriorates suddenly, but that contingency apart, we think it might create an undesirable public impression if the departure of Legation personnel should occur before the outcome of Mr. Menzies' approach to Nasser is known.
2. Tange is being informed of this exchange of telegrams so that he can bear your position in mind for giving advance warning or advice if possible.

- - - - -

A/P.M.
SIR PHILIP MCBRIDE
SIR FREDERICK SHEDDEN
MR. E.J. BUNTING

(Cost £15.6.8)
28th August, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

DEPARTMENT OF EXTERNAL AFFAIRS **TOP SECRET**
INWARD CABLEGRAM. COPY NUMBER 13

BH:AS

I.11632

Dated: 4th September, 1956
1808
Rec'd: 5th September, 1956
0830

FROM:

Australian Legation,
CAIRO.

247

203. TOP SECRET.

For Fadden From Menzies.

Further to my 202.

It is too early to offer any opinion about Egypt's reactions to my explanation and presentation of the 18-Power statement on Monday evening. I spoke for about five minutes. We had earlier suggested that Nasser (group omitted) not reply at once. He is likely to do so at the Tuesday evening meeting although he may begin by asking questions.

2. Each of the four members of the committee expressed himself warmly to me afterwards about presentation of the case. The significance of this is that the committee is united and I have taken particular care to keep it so.

3. After the formal presentation of the committee's views I spent some time alone with Nasser. I emphasised to him that he would be mistaken if he assumed that the London conference had declared against the use of force. In truth the London conference had not addressed itself to the question. I told him that I had good reason to know that the United Kingdom and French Governments took a most serious view of Egypt's actions. Nasser would be most unwise to assume that the use of force was ruled out in the absence of a satisfactory settlement by the agreement. I made clear that I was ~~not~~ purporting to convey to him the intentions of those two governments which I did not know.

4. Nasser took this calmly and said he was well aware that he could not assume that forcible measures would not be used.

5. The Egyptians have received the committee ~~cor-~~rectly and courteously. We, for our part, have gone to some length to create an atmosphere in which reasoned discussion can occur avoiding any implication that the committee is bearing an ultimatum. The committee had decided to meet Nasser without his advisers in order to gain advantage of intimate discussion.

6. We have told the Egyptians that we do ~~not~~ propose to issue press communiques.

(Received via Secretary of State for Commonwealth Relations, London as Number 17).

MIN&DEPT EA MIN&DEPT DEFENCE
MR.E.J.BUNTING

5th September, 1956

TOP SECRET

SEC

MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN DR. WYNES MR. LOOMES
MR. FURLONGER MR. LANDALE MR. DAVIS MR. LOVEDAY MR. LAWREY

TOP SECRET

Copy No. 2 of 2

AUSTLEG,

CAIRO

Repeated: CROTONATE, LONDON (For External - for Tange)

TOP SECRET

For Cutler

246

Your telegram 186.

1. We must leave to your discretion the question of evacuating Legation families if the situation deteriorates suddenly, but, that contingency apart, we think it might create an undesirable public impression if the departure of Legation personnel should occur before the outcome of Mr. Menzies' approach to Nasser is known.
2. Tange is being informed of this exchange of telegrams so that he can bear your position in mind for giving advance warning or advice if possible.

Approved by Acting Minister
27/8/56
J. R. Smith

JP/SCB

TOP SECRET

28/8/56

TOP SECRET

Copy No. 2 of 2

CROTONATE,

LONDON

TOP SECRET

245

For Tange from Plimsoll

1. On 24th August, we told Cutler that risk of an armed clash between Egypt on the one hand and U.K. and France on other could not be ruled out. We added: (quote) You will be well placed to watch the progress of the approach which is to be made to Nasser. If this fails and no alternative means is found to keep the discussion going, then at that point of time rather than waiting for a further deterioration in the general situation it might be wise to give another discreet and appropriate warning to Australian nationals. We leave you to exercise your own discretion on this without necessarily waiting for further instructions from here. (unquote)
2. Cutler has now cabled: (quote) Assume I may evacuate legation families without prior approval if the situation deteriorated suddenly. This is not envisaged, but approval in principle would save time (unquote)
3. Our reply is in our immediately following telegram.

Approved by Acting Minster
27/8/56
J. Plimsoll

JP/SCB

27/8/56

TOP SECRET

TOP SECRET

AUSTRALIAN LEGATION, CAIRO

TOP SECRET

PERSONAL FOR CULLER ONLY. 244

For your most personal and secret information the Prime Minister has now given his views on how the situation might develop from the point at which the proposals are put to Nassar. These views do not rule out the risk of an armed clash between Egypt on the one hand and the United Kingdom and France on the other.

2. You will be well placed to watch the progress of the approach which is to be made to Nassar. If this fails and no alternative means is found to keep the discussion going, then rather than wait for a further deterioration in the general situation it might be wise to give another discreet and appropriate warning to Australian nationals. Events could move so swiftly that you could not be guided from here.

3. It is assumed that you are having no difficulty in drawing funds and that if you require further sums in cash you will let us know.

J. Plimell

24th August, 1956

Prime Minister's Department
Department of External Affairs

TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

COPY NUMBER 10

CABLEGRAM.

JERC:VA

I. 11259

Sent: 25th August, 1956
1412
Rec'd: 26th August, 1956
0500

FROM:

Australian Legation,
CAIRO.

243

186. TOP SECRET. IMMEDIATE.

Personal for Plimsoll from Cutler.

Reference your telegram 166. If possible I should be grateful for a resume' of the Prime Minister's views on a most personal basis. It would greatly assist my assessment of the situation.

2. Assume I may evacuate legation families without prior approval if the situation deteriorated suddenly. This is not envisaged but approval in principle would save time.

3. No difficulty with cash at present.

A/P.M.
SIR PHILIP MCBRIDE
SIR FREDERICK SHEDDEN
MR. E.J. BUNTING.

26th August, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

TOP SECRET

TOP SECRET

COPY NUMBER 10

DEPARTMENT OF EXTERNAL AFFAIRS.

OUTWARD CABLEGRAM.

O. 11489.

...:OA.

Sent: 24th August, 1956.
1900

TO:

Australian Legation,
CAIRO.

166. TOP SECRET.

Personal for Cutler.

For your most personal and secret information the Prime Minister has now given his views on how the situation might develop from the point at which the proposals are put to Nassar. These views do not rule out the risk of an armed clash between Egypt on the one hand and the United Kingdom and France on the other.

2. You will be well placed to watch the progress of the approach which is to be made to Nassar. If this fails and no alternative means is found to keep the discussion going, then at that point of time rather than waiting for a further deterioration in the general situation it might be wise to give another discreet and appropriate warning to Australian nationals. We leave you to exercise your own discretion on this without necessarily waiting for further instructions from here.

3. It is assumed that you are having no difficulty in drawing funds and that if you require further sums in cash you will let us know.

Cost : £10.0.0.

A/P.M.
SIR PHILIP MCBRIDE
SIR FREDERICK SHEDDEN
MR.E.J.BUNTING (P.M.'S. DEPT.)

25th August, 1956.

MR.BOOKER MR.FORSYTH MR.WALLER MR.KEVIN

TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

COPY NUMBER 20

CABLEGRAM.

O. 11514.

BTK:JERC:OA.

Sent: 26th August, 1956.
1325.

TO:

Australian Legation,
CAIRO.

169.

TOP SECRET.

IMMEDIATE.

241

For Cutler.

Following are extracts from telegram from Prime Minister dated 22nd August. This is for your own information only and not to be quoted to other missions.

Begins -

"What happens if Nasser says "no"? The answer to this depends I think on whether he makes a complete rejection or puts up counter-proposals which our three representatives think worthy of discussion. In the latter case they would report back to this Conference which would be recalled for that purpose. But if Nasser gives a flat refusal to abandon any fraction of his present complete control it will in my opinion be at once proposed by the United Kingdom to the other shipping nations that they should decline to pay any dues to Egypt but should set them aside in some form of "suspense account". They believe that if this is done and Nasser is deprived of the Canal revenues he will suffer such a loss of face at home as will imperil his position.

The American view is that Nasser would adopt the attitude - "if you don't pay you don't go through". To which the British reply is "all right if he prevents British ships from passing through the Canal we will instantly regard that as a casus belli and will deal with the position by force."

Views on the latter subject vary somewhat in the United Kingdom Cabinet Perhaps the right summing up is that the general feeling will be that resort to force should not be actively contemplated until the majority declaration has been announced, given wide publicity, found to be reasonable by public opinion and rejected by Nasser.

I have constantly presented the view that public opinion, not only in Great Britain but in Commonwealth countries and in the United States, is of first-rate importance and that it will not completely clarify itself unless and until a plainly reasonable set of proposals has been rejected by Egypt.

If that happens the United Kingdom Cabinet will undoubtedly propose to the other shipping nations the economic measures to which I have referred plus others which might add up to a total body of economic sanctions.

If these fail after a refusal by Nasser then I believe that all our thought should be conducted upon the footing not that war against Egypt will be inevitable but that there is an even money chance that it will occur.

TOP SECRET

Ends.

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER.....

CABLEGRAM.

- 2 -

O. 11514.

Cost : £23.5.0.

240

A/P.M.
SIR PHILIP MCBRIDE
SIR FREDERICK SHEDDEN
MR. E.J. BUNTING.

27th August, 1956.

SEC MRBOOKER MR.FORSYTH MR.WALLER MR.KEVIN

TOP SECRET

TOP SECRET

JP/SCB

Copy No. 2 of 3

163/4/7/3/3

Distribution:

Copy No. 1 - Mr. Crawford
2 - Branch file
3 - Records copy
24th August, 1956

J. G. Crawford, Esq., C.B.E.,
Secretary,
Department of Trade,
CANBERRA, A.C.T.

239

SUEZ CANAL

....

Attached is Copy No.44 of Top Secret telegram No.2283 of 22nd August, 1956 for the Acting Prime Minister from the Prime Minister.

2. This telegram is being sent with the concurrence of the Acting Secretary, Prime Minister's Department, for your personal eyes only. I understand from the Acting Secretary, Prime Minister's Department that a copy has been shown to other Ministers. Circulation, however, is being very restricted. You will notice that the Prime Minister foreshadows possible developments which might need action by a number of Departments, including the Department of Trade.

*delivered by hand
B.W.S. 24/8/56*

J. Plimsoll
(J. Plimsoll)
Acting Secretary

TOP SECRET

TOP SECRET
COPY NUMBER 10

DEPARTMENT OF EXTERNAL AFFAIRS.
OUTWARD CABLEGRAM.

HMcC

0.11490

Sent: 24th August, 1956.
1750

TO:-

Australian High Commission,
L O N D O N.

238

1967. TOP SECRET.

For External.

Suez Canal.

We would appreciate latest United Kingdom assessment of whether and if so how Israel might act in the event of hostilities arising out of the Suez Canal situation.

A/MIN. & DEPT. E.A.
P.M'S DEPT.(MR.E.J. BUNTING)

(COST £1.10.0)
25th August, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER 19

INWARD CABLEGRAM F:11146

AS:HMcC

Dated: 22nd August, 1956.
2145
Rec'd: 23rd August, 1956.
0950

FROM:-

Australian High Commission,
L O N D O N.

237

2300. TOP SECRET.

From Tange.

Suez Canal.

We have a clear impression from discussion with United Kingdom officials that one explanation of the continuing determination of the United Kingdom Cabinet that International Control of the Canal must be accepted by Egypt under pressure of force if ultimately necessary, lies in their belief that support for Nasser in other Middle Eastern countries is by no means as strong as has been publicly avowed. They therefore assume that if they had to use force and used it effectively and quickly they would not automatically set the Middle East and North Africa aflame against themselves and France.

2. They are reinforced in their belief by the evidence of strong private desire among various Middle Eastern leaders to see Nasser done down. Following are examples:-

- (a) Iraq. Nuri has several times urged in the strongest terms that the United Kingdom must not give way and he emphasises that his whole Cabinet supports him. He has pointed out that he is at present well in control of the Iraqi Internal situation but he cannot feel sure of remaining so if Nasser should be allowed to get away with Nationalisation free from genuine International control. He is in fact encouraging the United Kingdom to find pretexts for using force. His assessment is that if force were used there would be a temporary flurry of excitement but that provided it was quickly effective there would be little trouble in Iraq and that Syria and Lebanon would accept the situation.
- (b) Saudi Arabia. King Saud is evidently disturbed and resentful over Nasser's action which he sees as threatening his own position and his oil revenues in consequence of strikes sabotage and other pressures to follow Nasser's example by nationalising oil. The British Ambassador, Jedda, was recently told by a Court official that Saud and Nehru would probably be meeting at Jedda in the next few days to give vent to their disapproval of Nasser's behaviour and possibly invite him to join them and explain himself. The official's belief was that Nasser could scarcely refuse. This report sounds exaggerated and the United Kingdom authorities are seeking confirmation from Delhi, but the B.B.C. last night reported that such a meeting might take place.
- (c) Tunisia. Bourguiba has privately expressed considerable dissatisfaction with Nasser and apprehension about the consequences of the success of his coup.

TOP SECRET

TOP SECRET

COPY NUMBER.....

DEPARTMENT OF EXTERNAL AFFAIRS.

-2-

I.11146

INWARD CABLEGRAM.

3. The point that the United Kingdom are at present emphasising within and outside the Conference is that unless Nasser accepts the principles of International control without undue delay Canal traffic will become disorganised through lack of pilots for reasons outside United Kingdom and French control. We understand that almost all non Egyptian pilots have acknowledged the binding nature of their contract with the Suez Canal Company and their unwillingness to work for Egyptian authorities. Selwyn Lloyd has emphasised that they are remaining at work only in response to appeals from the United Kingdom and French Governments to do so at least for the duration of the Conference, but that they cannot be expected to do so much longer while the present uncertainty exists. This point carries evident weight among materialistic scandinavians and we understand Eden stressed it in a personal message which he sent last night to Nehru. 236

4. We have not so far been able to obtain United Kingdom appreciation of likely reactions in Syria.

A/P.M.
SIR P. McBRIDE
SIR FREDERICK SHEDDEN
MR. E.J. BUNTING.

23rd August, 1956.

SEC MR. BOOKER MR. FORSYTH MR. WALLER MR. KEVIN

TOP SECRET

INWARD TELEGRAM

TOP SECRET

FROM : High Commissioner for New Zealand, London
TO : Minister of External Affairs, Wellington No. 1133
REPEATED : New Zealand Ambassador, Washington No. 40

D: 19 August 1956
04.20

R : 19 August, 1956
19.45

TOP SECRET

For Prime Minister and Algie from Macdonald.

No. 1133 etc.

SUEZ CANAL

Climax of Conference will probably come Monday. British intend that Conference should agree upon a declaration of principles and that this declaration should be presented to Egypt for negotiation on Basis of an international system. Declaration will in effect consist of Dulles' four principles, but exact wording and method of negotiation with Egypt will be worked out in many consultations over weekend. Question is whether there will be a small Committee of Negotiation or a single negotiator. Krishna Menon hopes to be appointed negotiator and for that purpose has refrained from speech-making. But British dismiss any such idea, insisting that if there is to be a single negotiator he must be British. Probability is small Committee.

2. British are most anxious that no one should think they are bluffing about their determination to use force if necessary to safeguard their vital interests. They argue (all this of course in strict privacy) that if India and other Asians think British are merely bluffing, and that war is not a possibility, they will not use persuasion on Egypt to accept an effective international system but will indicate to Egypt that they need not bother to do anything except give vague assurances. If, however, Indians and others believe that Britain is determined to go to war if necessary they will (so British calculate) advise Nasser that he must make substantial concessions. For this reason British are annoyed with Canadians - with whom they are having more trouble than anyone else. They are concerned lest Canada should publicly advocate peaceful solution. They argue that Canada would endanger peace if they did this, because they would thereby encourage Egyptians to make so few concessions that Britain would be obliged to go to war to secure what she considers vital to her interests. British officials point out that it is one thing to counsel the British privately to use only peaceful measures (as Menzies is doing) but quite another, and harmful, thing to do this publicly.

3. But surely, one may argue, the British are bluffing. Surely British Ministers realise that it would be ruinous to British interests to use force. To this I can only answer :

TOP SECRET

TOP SECRET

2.

234

- (1) Since the day Nasser nationalised the Company the British Government has pushed ahead every possible military preparation. There has been no delay or faltering, and preparations continue.
- (2) Every British officer with whom we have discussed the matter takes the following line ;
 - (a) The use of force would be quite unreasonable and the counsel of caution and negotiation through the United Nations is the reasonable course; but
 - (b) Ministers are quite unreasonable, being absolutely determined to use force if necessary to get the adequate international control they consider vital to Britain's interests; and
 - (c) Officials have given up trying to restrain Ministers because they have concluded that it is a hopeless task.

4. British officials mention that a good deal depends on the tone of the Sunday papers tomorrow. If they are "reasonable" and less firm (as was the influential 'Observer' last Sunday) Menon and other delegates will be encouraged by the division in British opinion to resist the presentation of strong proposals to Egypt. In this case, officials say, the chances of war will be considerably increased. As one put it.... "If as in 1914 and 1939 the other party thinks there won't be war, there will be war".

(Signed) DEPUTY

19/8/56.

TOP SECRET

INWARD TELEGRAM

TOP SECRET

FROM : High Commissioner for New Zealand, London 233
TO : Minister of External Affairs, Wellington No. 1133
REPEATED : New Zealand Ambassador, Washington No. 40

D: 19 August 1956
04.20

R : 19 August, 1956
19.45

TOP SECRET

For Prime Minister and Algie from Macdonald.

No. 1133 etc.

SUEZ CANAL

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TOP SECRET

TOP SECRET

2.

232

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 - (b) Ministers are quite unreasonable, being absolutely determined to use force if necessary to get the adequate international control they consider vital to Britain's interests; and
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(Signed) DEPUTY

19/8/56.

TOP SECRET

TOP SECRET

COPY NO. 27

C A B I N E T M I N U T E

Sydney, 22nd August, 1956.

Decision No. 399

231

Without memorandum - Suez Conference, London.

Cabinet noted the contents of Cable No. 2283 from the Prime Minister referring to the request by Sir Anthony Eden and Mr. Dulles that he should be available as a member of the Committee to present the Suez Conference majority view to Colonel Nasser.

Cabinet considered that it was clear that the Prime Minister could make a special contribution for Australia, the British Commonwealth and the Western World by taking part in the meeting with Nasser, notwithstanding the disadvantages of the Prime Minister's absence for the resumption of Parliament (including the introduction of the Budget).

Cabinet accepted in principle the proposal that the Prime Minister should accept an invitation to serve on the Committee. However, Cabinet decided not to send firm advice to the Prime Minister until such time as requests from the United Kingdom and/or the United States were received.

Cabinet agreed that, if the Prime Minister does serve on the Committee, authority should be obtained for the Acting Prime Minister to release messages from the United Kingdom and/or the United States requesting the Prime Minister's services.

Certified true copy.

E. J. Bunting

Acting Secretary to Cabinet.

TOP SECRET

*See
M. M. M.
24/8/56*

TOP SECRET
POL 274/1



J. C. G. Kevin, Esq.,
Department of External Affairs,
CANBERRA, A.C.T.

230

*With the compliments
of the
Official Secretary*

2 copies of letter (1 of enclosures) dated
22nd August 1956, addressed to M. C. Timbs,
Esq., Prime Minister's Department, on the
subject of the Egyptian Nationalisation of
the Suez Canal Company.

Office of the High Commissioner
for the United Kingdom,
Canberra, A.C.T.

See Kingall 27/8/56
M. G. King
Imp. and Ex. Sec. 22/8
W. M. King
22nd August, 1956.

Australian Archives
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1. Item copy

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

COPY NUMBER 19

INWARD CABLEGRAM.

I.11096/1100

HMC:HF

Dated: 22nd August, 1956.

0150

FROM:

Rec'd: 22nd August, 1956.
1330Australian High Commission,
L O N D O N.

2283. TOP SECRET. EMERGENCY.

219

For Fadden from Menzies.

Suez Canal problem.

Menon made a speech yesterday full of pious talk about peace, but he ended up by presenting a proposal which would give Nasser practically everything and which no self respecting British Government could accept.

I think he helped to create a feeling adverse to his views in Pakistan, which today tabled acceptable amendments to the Dulles' proposals backed by Iran, Turkey and Ethiopia. In the result there was a good bit of voting for the Dulles' proposals as amended, the present position being 17 in favour, 4 against and Spain perhaps rather more against than for, but perching precariously on the top of Gibraltar. In effect I think that the Pakistan Foreign Secretary stole the leadership of the Eastern bloc from Krishna Menon. I would like to tell you that Casey has done, in the last few days, a great deal of work with the Pakistan Delegation and in my opinion deserves much credit for what they finally did.

The Soviet made a long and inflammatory propaganda speech designed to induce Egypt not to say "yes". It contained all the usual stuff about the new colonialism and about a rather absolute view on sovereignty. Dulles was very angry about some of the things said by the Soviet but rightly felt that he should not answer or rebuke them, because one of their objects is to line up all issues as United States versus the Soviet Union. He therefore sent a message around to me asking me to reply if I felt so disposed. Today's session therefore ended with a short speech by myself saying that inflammatory statements addressed to Egypt were a grave disservice to peace and that we should all endeavour to discuss these matters calmly and objectively with the object of securing Egyptian concurrence and not defiance. This small offering was very well received by all the majority delegates present and will I hope have some effect.

*Does the document
say the
favours?*

The present plan is that the majority declaration should be signed by those in favour and that those who have reservations, great or small or even alternative plans, should be asked to state them precisely. The whole document thus emerging is to be presented to Nasser with an indication that say three representatives of this Conference would be willing to meet him promptly in some neutral place to discuss the matter and to obtain his answer.

If this procedure is approved by the Conference it is thought that the 3 spokesmen would be Dulles himself, somebody from the British Commonwealth and one other. The United Kingdom, I think rightly, feels that it is the direct disputant and should

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DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM. I.11096/11100

not be in the Nasser talks. I am under very great personal pressure from Eden and Dulles and also in fact from each of the other majority European countries. But I have explained to both Eden and Dulles my own political problem and have said that I could not divert my return unless they presented their views to you in terms which could be made public and which exhibited a genuinely strong feeling on their part. You should hear more about this in the next 24 hours.

I should add that the size of the majority is rather better than was expected and that it is not to be assumed that all the countries in the majority are utterly firm on the matter. The United Kingdom therefore feels that the man who would be in fact representing them as well as others should be quite clear on the central point and not prepared to abandon it.

What happens if Nasser says "no"? The answer to this depends I think on whether he makes a complete rejection or puts up counter-proposals which our three representatives think worthy of discussion. In the latter case they would report back to this Conference which would be recalled for that purpose. But if Nasser gives a flat refusal to abandon any fraction of his present complete control it will in my opinion be at once proposed by the United Kingdom to the other shipping nations that they should decline to pay any dues to Egypt but should set them aside in some form of "suspense account". They believe that if this is done and Nasser is deprived of the Canal revenues he will suffer such a loss of face at home as will imperil his position.

The American view is that Nasser would adopt the attitude - "if you don't pay you don't go through". To which the British reply is "all right if he prevents British ships from passing through the Canal we will instantly regard that as a casus belli and will deal with the position by force."

Views on the latter subject vary somewhat in the Cabinet, Eden being extremely resolute on the matter, while at the other end of the scale Lloyd will I think search incessantly for some alternative formula. I am confirmed in this view by further talks today. Perhaps the right summing up is that the general feeling will be that resort to force should not be actively contemplated until the majority declaration has been announced, given wide publicity, found to be reasonable by public opinion and rejected by Nasser.

I have constantly presented the view that public opinion, not only in Great Britain but in Commonwealth countries and in the United States, is of first-rate importance and that it will not completely clarify itself unless and until a plainly reasonable set of proposals has been rejected by Egypt.

If that happens the United Kingdom Cabinet will undoubtedly propose to the other shipping nations the economic measures to which I have referred plus others which might add up to a total body of economic sanctions.

If these fail after a refusal by Nasser then I believe that all our thought should be conducted upon the footing

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DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM.

I.11096/11100

not that war against Egypt will be inevitable but that there is
an even money chance that it will occur.

I should add that, though the result of today's
meeting is much better than I thought possible last night, the
Russian speech was mischievous and would be even more disquieting
if it were not for the belief, held by both Eden and Dulles,
that the Russians are willing to make mischief but not willing
at present to participate in any resulting conflict.

2/7

A/Prime Minister.
Sir Philip McBride.
Sir Frederick Shedden.
Mr. E.J. Bunting.

22nd August, 1956.

SEC MR.BOOKER MR.FORSYTH MR.WALLER MR.KEVIN

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EXTERNAL AFFAIRS.

TOP SECRET

File No.

Date 15th August, 1956

2959/55.

SUBJECT

UNITED KINGDOM MOTIVES REGARDING SUEZ CANAL

FOR MR KEVIN

ll

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I am not sure that we may not have misinterpreted the motives behind U.K. tactics in regard to the Suez Canal crisis.

2. We have assumed that the principal United Kingdom objective must be to ensure full co-operation and support from the United States and incidentally from such countries as Australia in the use of force - if it became clear that there was no other way of making Egypt accept international control of the Canal.

3. There have been some hints, however, that their policy has a somewhat different motive. As far as the specific military problem is concerned, they may feel that the United Kingdom and France have sufficient means of achieving a successful military occupation of the Canal zone. At any rate, this is the impression that they seem to be trying to build up. This may mean that the United Kingdom Government is trying to create a situation in which other countries will feel that they must support her demands in order to prevent her taking extreme action. The United Kingdom Government is no doubt aware of the many occasions in which other countries have gained their ends through sheer intransigence - often at the expense of the United Kingdom herself. She may therefore have decided to try similar tactics.

4. In the past such countries as India have urged the Western powers to make concessions to other countries on the principle of peace at almost any price. The United Kingdom may feel that if Nehru could be really persuaded that the United Kingdom was ready to start a war in the Middle East, he might be more likely to exert pressure on Nasser to accept a reasonable international arrangement.

5. ~~In other words,~~ Up to the present, Egypt has gained great benefits from her potential capacity to create mischief. The United Kingdom may hope to reverse this situation and force people to meet her wishes by threatening extreme action. At first sight this theory may seem far fetched but if one tries to imagine the present state of mind of the United Kingdom Government and the Conservative Party one can easily see that the feeling of frustration and resentment at the reverses which the United Kingdom has suffered in recent years is ~~at a high pitch~~ at a high pitch. There would be great appeal in any proposal that the United Kingdom should herself

McLaughlin ^{was 16/8} : *20 Sept*
McRae
 Thank you: the
 may well be a lot in
 2nd para 1 & 6. - or
 have been under the
 last couple of days:
 I am not so caught
 up by 2nd para 7.
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^{employ}
~~apply~~ the methods which have been used against her so successfully in the past. There is unlikely to be any readiness in government circles any longer to believe that British interests can be secured by persuasion and conciliation. ²¹⁵ These members of the Conservative Party who predicted disaster from the British withdrawal from the Suez Canal zone must now appear to be justified and I am sure that their influence in the present crisis is very strong.

6. Such a policy ^{undoubtedly} involves a dangerous gamble. The United Kingdom might find herself in a position where she cannot avoid military action. However, from the United Kingdom point of view, it is the choice between a gamble and the certainty of a disastrous loss of power, influence and wealth. The United Kingdom may feel that if the gamble succeeds they will have strengthened their position to such a degree that all sorts of other problems will become easier. The Conservative Party in England has argued that the United Kingdom's international difficulties have been greatly exacerbated by the belief that if sufficient pressure is applied the United Kingdom will always yield. One can see that the argument that a stand should at last be made has great appeal. As far as precipitating a global war is concerned, the United Kingdom might well ask who would dare to start such a war. In other words, the United Kingdom might herself be the first to gamble that none of the great powers would dare to use the ultimate weapons.

Implications for Australian Policies

7. If the above theory is true, what are the implications for Australian policy? The answer seems to be that we should stay on the sidelines. We would have much to gain if the United Kingdom won her point without a war. If a war came, however, there are strong reasons for our following discretion rather than valour. Any contribution that we could make would be marginal and would not be likely to make any significant difference to the course of the military operations. To associate ourselves directly with such action would weaken our position in Asia and would more than ever identify us with Western interests. A useful role for us to play in present circumstances would be to urge that war must be avoided at all costs and therefore that the legitimate interests of the United Kingdom must be safeguarded while at the same time adequately ^{protecting} ~~safeguarding~~ Egypt's rights.

M.R. Booker
(M.R. Booker)
Acting Assistant Secretary
Division 1.

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MRB/JK

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DEPARTMENT OF EXTERNAL AFFAIRS.

COPY NUMBER 19

OA:MB

OUTWARD CABLEGRAM 11141.

Sent: 15th August, 1956.
2315

TO:

Australian High Commission,
LONDON.

214

1874. TOP SECRET. IMMEDIATE.

For Menzies only from Faddon.

Cabinet has considered to-night the latest cables on the Suez situation including your 2216. Having regard to the great influence you can exert in our own and the general British interest particularly outside the conference room we recommend that you remain in London until the outcome of the conference can be clearly perceived. We shall be saying publicly that we have recommended that you remain on for this purpose.

Cost £5/8/4.

ACTING PRIME MINISTER.
SIR PHILIP MCBRIDE.
SIR FREDERICK SHEDDEN.
MR. J. PLIMSOLL.
MR. E.J. BUNTING.

16th August, 1956.

SEC A/Ss

163/4/7/3/3

P.I. Report
16/8/56

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10. SUEZ CANAL

Twenty-two countries out of the twenty-four invited to the London Conference opening on 16th August will participate in it. The two abstentions are Egypt and Greece, although there are unconfirmed reports that Col. Nasser's Political Director (Wing Cdr. Sabri) will attend the Conference as an observer.

The United States share the United Kingdom's view of the gravity of the situation and its vital significance to both the United Kingdom and the Western powers but they are apprehensive of the consequences of any attempt to impose solution by force. Dulles' inclination appears to be towards a resolution upon which to base some future settlement and so allow room for further diplomatic activities.

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COPY NO. 29

CABINET MINUTE

212

Canberra, 15th August, 1956

Decision No. 392

Submission No. 315 - Nationalisation of the Suez Canal

Cabinet gave consideration to the latest cables on the Suez Canal issue, and in particular, to the Prime Minister's cable No. 2216 in which he reported on the meeting of the United Kingdom Cabinet which he attended.

Cabinet concurred in the Prime Minister's view of the seriousness of the situation, but noting that the course of the London Conference was by no means clear, and that constant high level consultations in which the Prime Minister could most usefully participate were likely to take place, decided to recommend to him that he remain in London if possible until the outcome of the conference becomes clear.

Cabinet also approved the terms of a cable to the Prime Minister requesting further detailed information on United Kingdom views.

Certified true copy.

E. J. Bunting

R. Landale

Acting Secretary to Cabinet.

163/4/7/2/3.
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COPY NUMBER 12

15/8/56.

DEPARTMENT OF EXTERNAL AFFAIRS

Submission No.

Copy No.

211

FOR CABINET

For information.

NATIONALISATION OF THE SUEZ CANAL

A telegram has been received from the Prime Minister, and is being circulated separately. It is also desired to inform Cabinet of the main developments in the situation since it was last considered.

PARTICIPATION IN THE LONDON CONFERENCE

2. Twenty-two countries out of the twenty-four countries invited to the London Conference will participate in it. The two abstentions are Greece and Egypt. The purpose of the United Kingdom, United States and France in calling the Conference together has been defined as follows:-

"That steps should be taken to establish operating arrangements under an international system designed to assure the continuity of operation of the Canal as guaranteed by the Convention of 29th October, 1888 consistent with legitimate Egyptian interests."

EGYPTIAN REACTIONS

3. On 13th August Colonel Nasser announced that Egypt would not attend the London Conference, claiming that it was neither broadly enough based nor competent to make decisions. He proposed a wider conference which Egypt would be prepared to sponsor with

/other signatories...

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other signatories of the 1888 Convention. Prior to this announcement Nasser is reported to have told the American Ambassador in Cairo that in view of the threat of invasion he could not accept the invitation without appearing to have been coerced. He contended that all the countries invited were "satellites" except Russia and Egypt and that the result was a foregone conclusion.

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4. On 14th August the Egyptian Foreign Minister told the Australian Legation that Egypt was willing to plan with the signatories of the 1888 Convention and other interested countries, and to sign an international agreement, preferably a multilateral treaty, guaranteeing free navigation and any other points desired so long as they were not aimed against Egypt.

Colonel Nasser has dismissed out of hand any suggestion of international control. He has said that Egypt will not accept any actions or suggestions contrary to "her sovereignty and dignity".

5. Colonel Nasser appears to be surprised by the extent and depth of international reactions to his nationalisation of the Canal and by the doubts cast on his assurances that the Canal will be kept open on a non-discriminatory basis.

SOVIET REACTIONS

6. The Soviet has accepted the invitation to the London Conference on the condition that they shall in no way be bound or limited in advance to international operation of the Canal. The Soviet Foreign Minister (Shepilov) will lead the Soviet delegation. There are reports of constant exchanges between the Egyptian Government and the Soviet Ambassador in Cairo.

7. The Soviet Foreign Minister has told the British Ambassador in Moscow that the Soviet Government understands the vital necessity of the Middle East position to the United Kingdom

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but could not understand and thought unnecessary the nervousness that the United Kingdom was displaying in calling up reserves and mobilising its fleet.

8. Bulganin has told the American Ambassador in Moscow that the Soviet Government considers that the dispute should be settled by peaceful means. The Soviet Government did not agree with the proposed objective of the Conference; it felt that the Western Powers regarded the Conference as a means of undoing nationalisation of the Canal which the Soviet Government regarded as perfectly legitimate.

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9. In accepting the invitation to the London Conference the Soviet Government expressed the view that it should be postponed until the end of August, with the venue to be changed to Cairo and that some twenty other countries including the Satellites, all Arab countries, Yugoslavia, Burma and Communist China should be invited.

ATTITUDE OF OTHER COUNTRIES

10. The South and South East Asian countries are not committed to the principle of international operation and they have expressed opposition to the idea of it. It appears, however, that they are prepared to accept the idea of some form of international supervision which would not derogate from Egyptian sovereignty. Pakistan has expressed no formal reservations but it is probable that in the final analysis the Pakistan position will be in parallel with that of India, Ceylon and Indonesia.

11. In the case of certain other countries invited to the London Conference their attitudes towards the proposal for international control of the Canal will be tempered by extraneous considerations: thus her economic prospects in the Middle East

/and apprehension...

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and apprehension about Arab recognition of East Germany will weigh with the Federal German Republic; Gibraltar and her Spanish relations in the Arab world may weigh with Spain.

POSITION OF THE UNITED STATES

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12. A telegram from Sir Percy Spender outlining present thinking in the United States is being circulated separately. It would appear from this telegram that the United States attitude is flexible.

VOTING POSSIBILITIES

13. The following list of countries other than Australia which have accepted invitations to the London Conference, gives an estimate of whether they will support the principle of international operation, assuming no abstention in voting:

<u>In favour</u>	<u>Against</u>
United Kingdom	Ceylon
France	India
United States	Indonesia
New Zealand	Pakistan
Norway	Japan
Denmark	Ethiopia
Sweden	Spain
Italy	Germany
Netherlands	Turkey
Portugal	Iran
	Soviet

14. Some countries may only vote in favour if there is a likely

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big majority for the principle of international operation. In any case several of the votes may depend upon the manner in which the United States decides to vote.

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ACTING MINISTER FOR EXTERNAL AFFAIRS

CANBERRA, A.C.T.

15th August, 1956.

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SUEZ CANAL: Notes for the Minister

1. We need further information about United Kingdom intentions in regard to the use of force, including the points of application and the political objective of it. 206

(If force is used the objective would presumably be to occupy the whole of Egypt and not merely the Canal zone. The ultimate aim would presumably be to displace the Nasser regime, or force it into a treaty arrangement guaranteeing international control. We have however not been informed of United Kingdom intentions.)

2. We need to know how the United Kingdom and the United States respectively measure the possibility of Russian military involvement.

(The United Kingdom view now seems to be that Russia would be unlikely to involve herself in hostilities if the United States joined in Anglo-French military measures. The United States' view has been that Russia would be less likely to intervene if the United States refrained from military action. Further information is needed under this heading if any confident assessment is to be made.)

3. We need to have United Kingdom views on whether, in the last resort, it would be prepared to accept national ~~operation~~ provided it was covered by an international supervisory authority, treaty safeguards and some form of sanctions embodied in the treaty.

(The United Kingdom has not as far as we know considered any solution other than one based on international operation).

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4. We need to know what the United Kingdom intends to do if it fails to get substantial support for its proposals;

5. We need United Kingdom views on the following:

The problem now facing us is one which would have confronted us twelve years hence (in 1968) when the abrogated concessions expire. At that point of time Egypt would have been entitled to insist not only upon national operation for its own benefit but also that there should be no international supervisory authority. She would have been bound in 1968, merely by the broad principles enumerated in the 1888 Convention. It seems unrealistic not to look for some reasonable compromise which in fact would give us considerably more than could have been expected if the concessions ran their course.

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(The point is to be made, however, that the method by which Nasser nationalised the Canal was highly objectionable and if he successfully flouts the United Kingdom there can be, and probably will be political consequences elsewhere in the Middle East. At the same time it should be possible by a realistic use of the London Conference to check him publicly. To this end the United Kingdom needs to devise some settlement which can be negotiated or imposed with substantial international support. Its present proposals may not gain that support.

6. What useful results does the United Kingdom envisage if it resorts to force?

(Might not the ultimate result be less than the best realisable settlement obtainable now by negotiation. A solution reached by force, however satisfactory that solution may be momentarily, will in the future be vulnerable to criticism and possible abrogation

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by some other Egyptian regime. A reasonable settlement freely negotiated now with general support will be not so vulnerable.)

7. What limitations are there on possible retaliatory action:-

204

(a) economic sanctions. Are they sufficient?

Do they require United Nations authority?

The indications are that they will not be effective, and they do require United Nations authority;

(b) dues. Would refusal to pay dues to Egypt give Nasser a right to refuse passage?

8. What consequences elsewhere than Egypt does the United Kingdom see arising from the application of military force?

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EXTERNAL AFFAIRS.

Mr. Kevin

Copy No. 1 of 2.

TOP SECRET

File No.

Date 15th August, 1956.

SUBJECT

SUEZ

203

FOR MR. FORSYTH.

Reference the attached telegram.

1. The Cabinet seems only to have considered what should be done if the London Conference agrees by a very large majority on a solution satisfactory to us. In my opinion the odds are very much that it will not do so. A lot depends on the U.S. which now looks wobbly. Should not the U.K. be thinking of what is to be done if the Conference does not agree on a solution satisfactory to us ? All I can see the Conference agreeing to is :-

(a) Observance of the principles of the 1888 Convention plus modernization of the Convention; and

(b) A request to Nasser to discuss the future operation of the Canal.

Apparently the U.K. will not accept this or will they ? I think they would have to accept.

2. Apart from all this which is a basic objection to all the thinking in the telegram, a refusal to pay dues would give Nasser a legitimate right to ~~close the Canal~~. Are we prepared for this ? What does the U.K. propose to do then ? Presumably use force but we should know this.

refuse passage to those so refusing.

3. Use of economic sanctions without U.N. sanction is by implication a breach of the Charter - this is a means of enforcement action (Article 41). Nasser can, moreover, retaliate by freezing British property in Egypt. And what of economic reprisals in other Arab States? In other words, Nasser may suffer but he can strike back.

4. An annual report to the U.N. may be a means of keeping Nasser on his toes when and if a solution is reached, especially if that solution falls short of real international control. But this would be automatic if there is some sort of U.N. supervision. Registration with the U.N. is nothing - this is an obligation under the Charter.

5. What of a realization of the implications of the use of force elsewhere than in the Middle

*seen by Acting Minister 15/8/56
J. H. Smith*

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Copy No. 1 of 2.

2.

East? What about in Asia and the U.N.? Might not the use of force without U.N. sanction at least severely strain the ties of India, Ceylon and Pakistan with the Commonwealth ?

6. What is the U.K's. opinion as to the Soviet likely reaction if force is used ? Is the U.S.S.R. likely to intervene or not ?

See our earlier minutes on this X.

WJF.

AP. Renouf.
U.N. Branch.

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162/4/12/3/2
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Copy No. 2 of 2.

15th August, 1956.

SUEZ

MR. FORSYTH.

Reference the attached telegram.

201
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Copy No. 2 of 2.

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AP. Renouf.
U.N. Branch.

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DEPARTMENT OF EXTERNAL AFFAIRS

CABLEGRAM.

TOP SECRET

COPY NUMBER 8

BH:OA:MB

I. 10760/1.

Dated: 14th August, 1956.

1943

FROM:

Rec'd: 15th August, 1956.

0830

Australian High Commission,
LONDON.

2216. TOP SECRET. IMMEDIATE.

For Fadden and McBride only from Menzies.

This morning I attended a meeting of the Cabinet here. There was an important discussion about Suez. The general sense of the meeting was along the following lines:

- (1) At the Conference the proposal should be to put the Canal under the management and control of a new International Committee on which Egypt might be suitably represented.
- (2) This proposition should not be allowed to be watered down in favour of a merely Advisory Committee or of any other scheme which would leave management in Egyptian hands.
- (3) Every effort should be made to secure a very large majority in a vote on these proposals.
- (4) If this could be secured it should be presented to Nasser for his acceptance.
- (5) If he should reject the proposal the principal shipping nations should be asked to concur in an all round refusal to pay dues to the new Egyptian Company which Nasser has created. This would mean a material deprivation of revenue and might tend to weaken Nasser's position at home.
- (6) Economic sanctions generally were discussed. Apart from the refusal to pay dues, there was no belief that economic sanctions could be effective with sufficient speed to make Nasser lose face and so save our Middle East position.

I pointed out that economic sanctions should not be lightly rejected because if the United States could be got to participate in them that would be of enormous value should hostilities need to be resorted to at a later stage.

- (7) If Nasser still remains obdurate enforcement by arms may have to be resorted to.
- (8) There is a perceptible body of public opinion here which favours the bringing of the United Nations into the picture. Neither the United Kingdom nor the United States will be willing to accept the proposal to refer the dispute to the United Nations for obvious reasons of delay and uncertainty. Solwyn Lloyd rather leans to the idea of the new International Canal Authority making an annual report to the United Nations. Eden does not favour this nor do I for as I said this morning with such a procedure, by producing an annual

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CABLEGRAM.

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-2-

I. 10760/1.

debate, will tend to keep the Canal issue alive for an indefinite period.

I suggested that it was sufficient to register with the United Nations the documents creating the new authority together with any subsequent contracts entered into by it so that its relation to the United Nations would be in effect similar to that of N.A.T.O. which doesn't make an annual report but whose creation is registered with the United Nations. In the discussions I thought that this view recommended itself to a majority of the Ministers'.

- (9) There is no want of realisation of the possible implications in various Middle East countries of the use of armed forces. But the implications of a public defeat by Nasser are thought to be much more certain and more serious. With this I agree.
- (10) I offered the view that public opinion had been too much concentrated on the immediate issue of the Canal, and that much attention should be paid, both in the United Kingdom and in countries like Australia, to the simple truth that the Canal episode cannot be thought of in isolation and that what has to be considered is whether surrenders are to be made in rapid succession which will destroy before long both the economic interests of the Western World and the loyalty of Britain's remaining friends in the Middle East area. As resistance must be exhibited at some point, if the United Kingdom's whole economy is not to be vitally weakened, it is better to make that resistance now than to postpone it until it is too late to be effective.

These views represented the clear sense of the Cabinet meeting and I think that propaganda on these aspects will be intensified. I should add that it is proposed that Lloyd should preside over the conference.

I am greatly worried myself. I do not see how I can remain here beyond Tuesday without being embarrassed and embarrassing my colleagues in Australia. Yet the Conference will certainly not get to the substance before Friday afternoon or Monday morning. I would like it to be well realised by our colleagues that the chances of armed conflict are very substantial and that in such circumstances our own involvement would be extremely probable.

Casey arrives to-morrow when I will of course bring him up to date on these points.

Regards.

ACTING PRIME MINISTER.
SIR PHILIP MCBRIDE.
SIR FREDERICK SHEDDEN.
MR. J. PLIMSOLL.
MR. E.J. BUNTING.

25th

15th August, 1956.

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COPY FOR MIDDLE EAST BRANCH

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163/4/7/2/3.

654/3

13th August, 1956.

The Secretary,
Department of Defence,
Victoria Barracks,
MELBOURNE.

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SUEZ CANAL - BRIEF FOR THE AUSTRALIAN DELEGATION

....

Attached for information are copy Nos. 16 and 17 of the Brief for the Australian Delegation to the Suez Canal Conference, as assembled by this Department.

2. You will have already seen from telegram No. 1814 of 9th August to the Australian High Commission in London that the note by the Defence Committee on Australian Defence Aspects of Suez (your teletype 1033 of 2nd August) was sent direct to London by telegram. The Appreciation by the Defence Committee on "Objectives and Military Implications of use of force against Egypt and on a possible Australian force contribution" was taken to London by the Secretary of the Department of External Affairs, for transmission to the Prime Minister, this means of transmission having been agreed to by the Prime Minister's Department.

→ M.E. - for your files
13/8

(H. M. Loveday)
for the Secretary.

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COMMONWEALTH OF AUSTRALIA.

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MINISTER FOR DEFENCE.

My dear Minister,

SUEZ CANAL - APPRECIATION BY DEFENCE COMMITTEE ON
OBJECTIVES AND MILITARY IMPLICATIONS OF USE OF FORCE
AGAINST EGYPT AND ON A POSSIBLE AUSTRALIAN FORCE
CONTRIBUTION

I am forwarding herewith a copy of a letter which I have sent to the Acting Prime Minister on the above subject, together with a copy of the Defence Committee's appreciation referred to therein.

Yours sincerely,

P.A. McBride

(P.A. McBride)

Rt. Hon. R.G. Casey, CH., DSO., MC., MP.,
MINISTER FOR EXTERNAL AFFAIRS

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10 AUG 1956

My dear Acting Prime Minister,

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SUEZ CANAL - APPRECIATION BY DEFENCE COMMITTEE ON
OBJECTIVES AND MILITARY IMPLICATIONS OF USE OF FORCE
AGAINST EGYPT AND ON A POSSIBLE AUSTRALIAN FORCE
CONTRIBUTION

The Department of External Affairs recently requested a Defence appreciation of the objectives and military implications of the use of force by the United Kingdom, France, and such other countries as might join them against Egypt, and in cablegram No. 768 of 5th August from Washington, the Prime Minister asked for "a realistic appreciation as to what Australia might do and where and how in the event of our own participation".

... 2. The Defence Committee has submitted the attached paper covering both the above questions. Paragraphs 2 to 8 relate to the objectives and implications of military action, and the remainder of the paper (paragraphs 9 to 13), deals with the question of possible Australian force contributions, as requested by the Prime Minister. It will be noted that the Committee has concluded, in paragraph 13 -

" In view of the considerations mentioned in paragraphs 8-12 above, the Defence Committee considers that it is militarily undesirable that any Australian forces should be sent to the Canal area. However if a decision is taken to make a contribution it should be small and limited to the Navy and Air Force. "

3. A copy this letter, and of the Defence Committee's paper, has been sent to the Minister for External Affairs.

4. It is assumed that you will arrange for the transmission of the Defence Committee's views to the Prime Minister, in reply to the request in his cablegram No. 768 of 5th August.

Yours sincerely,

(Sgd.) P. A. McBRIDE

(P.A. McBride)

Rt. Hon. Sir Arthur Pedden, K.C.M.G., M.P.,
ACTING PRIME MINISTER

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APPRECIATION BY DEFENCE COMMITTEE ON OBJECTIVES AND
MILITARY IMPLICATIONS OF THE USE OF FORCE AGAINST
EGYPT AND ON A POSSIBLE AUSTRALIAN
FORCE CONTRIBUTION

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INTRODUCTION

1. The Department of External Affairs has asked for an appreciation of the objectives and military implications of the use of force by the United Kingdom, France and such other countries as might join them against Egypt. Also in cablegram No. 768 of 5th August to Senior Cabinet Ministers, the Prime Minister requested an appreciation from the Australian military authorities "as to what Australia might do and where and how in the event of our own participation" with other nations in the use of force in the current dispute over the Suez Canal.

POLITICAL AND MILITARY OBJECTIVES

2. In referring to the discussions concerning the dispute over the Suez Canal, the Minister for External Affairs has stated "that the objective to be aimed at was the maintenance of an international regime which would guarantee free navigation of the Canal at all times to all nations, reasonable and non-discriminating dues, and competent administration".

3. In the event that measures short of armed action, including the International Conference convened by the United Kingdom, France, and the United States in London on 16th August to discuss the Suez Canal problem are unsuccessful in attaining the above objective, and it is decided by the United Kingdom and France to use force, it is considered that the immediate military objective should be to seize and occupy the Canal area with sufficient forces to enable them to counter any action which Egypt might take, and to ensure the satisfactory use of the canal.

IMPLICATIONS OF MILITARY ACTION - EGYPT

4. The forces deployed into the Canal area by the United Kingdom and France to attain the military objective as stated in paragraph 3 above must have the capacity to deal with the Egyptian armed forces as well as attempts to sabotage the Canal area. The action by United Kingdom and French forces is likely to be assisted by the pre-occupation of a large part of the Egyptian army which is currently deployed along the border between Israel and Egypt. Although the Allied forces will be astride the lines of communication of these Egyptian forces, it is unlikely that the latter would be re-deployed to meet the Allied action for fear of invasion by Israel into Sinai. These Egyptian forces would therefore be neutralized unless they decide to fight their way out.

5. In view of the above the initial counter action by the Egyptian armed forces may not be very effective. It should also be remembered that the reputation of the Egyptian forces as fighting men is not high. However, although the occupation of the Canal area may be speedily accomplished, there will still remain a continuing commitment to protect the Canal area from sabotage.

6. Once military action, as envisaged above, is initiated, there would be an interruption of traffic through the Canal for a period until the military occupation is satisfactorily completed. Allied air traffic which normally crosses Egypt would have to be diverted to other routes, but the resulting dislocation of air services would not be great.

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WIDER IMPLICATIONS OF MILITARY ACTION

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7. There are certain wider implications which must be taken into consideration arising from the use of force against Egypt in this dispute. These are as follows:-

- (a) Reaction of Arab nations. Direct military assistance to Egypt by Jordan, Syria, Lebanon, Saudi Arabia and Iraq is likely to be negligible, particularly as Israel is well situated to intervene and neutralize the movement of troops from these countries. However, oil supplies from Iraq and possibly the Persian Gulf area could be denied to the Western Powers or at least placed in jeopardy. It is probable that the oil pipe lines to the Mediterranean which carry some 40 million tons per annum and which cannot adequately be policed would be put out of action. There is the further risk of Arab action directed against the oil fields themselves; this would require the deployment of substantial forces for their protection.
- (b) Risk of Soviet Intervention. It is not possible to forecast at this stage whether Russia is likely to intervene directly on the side of Egypt. It can be assumed, however, that the Soviet bloc will exploit the situation to the utmost in furthering Communist objectives throughout the world. It is possible that Russia will give Egypt all possible assistance short of direct intervention. Direct intervention by Russia would almost certainly precipitate global war.
- (c) United States Participation. It appears that the United States is unlikely to participate in military action by the United Kingdom and France against Egypt, but American moral and economic support can be expected. The absence of United States participation is likely to be a major factor in determining the attitude of the Soviet Union. If Russia is assured that the United States does not intend to intervene, it is likely that she will remain similarly inactive.

FORCE REQUIREMENTS

8. The total force required to attain the military objective referred to in paragraph 3 above can only be assessed by the United Kingdom authorities. It is considered however, that this force is not likely to be larger than those forces available from the United Kingdom and France which are already in or being despatched to the Eastern Mediterranean. After the immediate military objective has been attained in the canal area, there could be a heavy and indefinite commitment of forces to protect the canal from sabotage.

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POSSIBLE AUSTRALIAN FORCE CONTRIBUTIONS

9. (a) Navy

The R.A.N. at present has in commission the following major vessels:-

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- 1 light fleet carrier - operational
- 1 " " " non-operational
(general training ship)
- 4 destroyers (includes one paying off to commission new construction ships coming forward shortly) 2 are serving with the Strategic Reserve.
- 5 frigates (includes cadet training and survey ships)
- 4 ocean minesweepers.

If it should be decided that Australia should support the action of the United Kingdom and France by providing forces, the Navy state that the following is the maximum that could be made available:-

- | | | |
|---|---|---|
| HMAS "Melbourne" | } | Available to leave Australia immediately. |
| (operational aircraft carrier) | | |
| 1 Destroyer | | |
| 1 Frigate | | |
| HMAS "Sydney" | | Available to leave Australia at short notice to carry troops and supplies. |
| (non-operational carrier - general training ship) | | |
| 2 Frigates | | Available to leave Australia by the end of August. |
| 2 Destroyers | | At present with the Commonwealth Strategic Reserve. Could be made available should it be decided to employ units from this Reserve. |

Naval forces can arrive at Suez 19 days after leaving the East coast of Australia, but 7 days could be saved by moving the ships to Western Australia in anticipation should the Government so decide.

In view of the serious manning deficiencies in the Royal Australian Navy, the majority of the foregoing naval units could only be made available on the assumption that they would be required in the Suez area for a relatively short time. In this event, the following would be the main effects:-

- (i) There would be some interference with technical training both ashore and afloat.
- (ii) The sea training of National Servicemen would have to be suspended during the period "SYDNEY" might be absent from Australian waters if she is required for troop transport to SUEZ.
- (iii) At least the initial stage of SEATO Exercise ALBATROSS (which is being sponsored by Australia in October) would have to be cancelled.

(b) Army:

The only readily available units from the army are those contained in the Australian Battalion Group in the Strategic Reserve in Malaya. 192

The remainder of the regular field force is greatly under-strength and no battalion is immediately available from this force. However, by reorganising several units it would be possible to form one complete battalion in about three or four weeks after the decision is made. This battalion could be moved in HMAS "Sydney" to the Suez Canal Zone in 19 days after embarkation.

(c) Air Force:

The present R.A.A.F. Order of Battle is as follows:-

Fighters

- 3 Squadrons - 1 Working up with Sabres
(destined for Strategic Reserve)
- 1 About to re-equip with Sabres ex
factory (destined for Strategic
Reserve)
- 1 Awaiting re-equipment with Sabres
ex factory (Operational Reserve)
- 5 Squadrons - (Home Defence Force - Citizen Air
Force) fitted with second line
aircraft.

Bombers

- 2 Squadrons - 1 operational
(Canberras) 1 Working up
(destined for Strategic Reserve)
- 1 Squadron - Operational, deployed in Malaya
(Lincoln)

Maritime

- 2 Squadrons - 1 operational with Neptunes
1 operational with Lincolns, but
the aircraft refitting with
modern equipment.

Transport

- 2 Squadrons - Operational with Dakotas

The following is the maximum Air Force contribution that could be made available.

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- 1 Bomber Squadron (Canberra) - available to leave Australia immediately.
 - 1 Bomber Squadron (Lincoln) - at present deployed in Malaya (not part of the Commonwealth Strategic Reserve but at present engaged in anti-terrorist operations).
 - 1 Transport Squadron (Dakota) - available to leave Australia immediately.
 - 1 Bomber Squadron (Canberra) - available to leave Australia early September.
 - 1 Maritime Squadron (Neptune) - available to leave Australia immediately but dependent on United States logistic support at Malta.

These squadrons could be in operation in the Middle East seven days after the decision is taken to send them.

In view of manpower deficiencies in the Royal Australian Air Force the Units would be at peacetime establishment only. Since the operations envisaged would be of limited duration and intensity small wastage is expected, and this could accordingly be accepted.

10. Australian forces would have to be fitted into United Kingdom plans for the operations. It is assumed that logistic support would be provided by the United Kingdom. The exception would be the Royal Australian Air Force "Neptune" squadron which would depend on United States facilities in Malta.

11. In view of the possibility that military action in the Middle East may have unpredictable ramifications in South-East Asia and the Far East, the Australian forces at present deployed in Malaya should be left intact. This means that the only Australian forces which could be made available immediately to support action by the United Kingdom and France would be the naval and air forces listed in paragraph 9 above which are not deployed in Malaya. If the situation was to deteriorate in South East Asia or the Far East, it may be necessary to bring back any Australian forces deployed in the Suez Canal Area.

12. The Defence Committee considers that the following aspects from the Australian Defence viewpoint should be borne in mind in considering a possible contribution of Australian forces in support of military action by the United Kingdom and France in the Suez Canal Area :-

- (a) Unless a decision were taken to concentrate Australian forces in the Middle East in advance of possible operations, it is apparent from the timings given in paragraph 9 that (with the exception of certain Air Force Units) the Australian contribution would not be available for the critical opening phase.

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- (b) Australia's strategic interest in the Middle East, in relation to her responsibilities in South East Asia, which has been assessed by the Defence Committee as follows -

"It is of major importance to Australia that the Middle East, as a focal point of communications between Europe and the Far East and as an oil producing area, should be held by the Allies. Therefore, although Australia, because of her strategic responsibilities in the general area of South East Asia, will be unable to contribute forces to defend the Middle East, it will nevertheless retain a special interest in measures to ensure the security of that area."

- (c) The possible repercussions in South East Asia and the Far East of military action in the Suez Canal area.
- (d) The increased risk of global war as a result of such action.
- (e) Arising from (b) (c) and (d) above, Australia's Treaty obligations in the South East Asia area under S.E.A.T.O., and particularly the effect on the United States and Asian members of the organisation should a substantial part of Australia's limited military resources be committed outside the Treaty area.

Conclusion

13. In view of the considerations in paragraphs 8 - 12 above, the Defence Committee considers that it is militarily undesirable that any Australian forces should be sent to the Canal area. However if a decision is taken to make a contribution it should be small and limited to the Navy and Air Force.

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*London Confam - Suez Canal
August 1956*

AUSTRALIAN INTERESTS IN THE CANAL:

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1. Australia's interests in the Canal are:

(a) Proprietary: It is not known whether there are any Australian shareholders, but if there are, their holdings are not expected to amount to any substantial sum.

(b) Interests arising out of use of the Canal:

(i) Strategic: The Canal has become the traditional link between the United Kingdom and Europe on ~~ent~~^{the} one hand and South and South-East Asia and Australia on the other. In a ~~restricted~~^{limited} war in ~~the Far East~~^{South East Asia} use of the Canal for the passage of reinforcements and supplies from the United Kingdom would be desirable, but not vital, because of the alternative sea route via the Cape. In an emergency, the first echelon of reinforcements from the United Kingdom, to meet immediate requirements, would be sent by air. Follow-up echelons would be sent by sea. If denial of the use of the Canal necessitated the use of the Cape route, this would involve an additional four to six days in the movement of the sea-borne echelons. In the event of global war, no reliance could be placed on the use of the Canal, in any event, owing to its vulnerability to nuclear attack.

(ii) Economic: The Canal is important to Australia as the shorter and less expensive route for her trade, of which approximately 60% passes through the Canal. It has been estimated that if the Canal were closed to Australia, the annual cost in increased freight charges via the Cape would be £A.11 million. Shipping schedules would also

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be greatly affected. The longer haul ^{by way of} via the Cape would add about eight days on the round voyage to Melbourne and could possibly result in some shipping shortages.

Australia is also concerned to ensure that freight charges shall remain reasonable. Unreasonable dues would have the obvious effect of raising freight rates with consequential effects not only on the cost structure but also on the pattern of trade itself; by making Australian goods less competitive in overseas markets, balance of payments difficulties may be increased.

(c) Political:

Australia is interested in ensuring that the Canal shall not be exploited by any one country or a number of countries for purposes of national or foreign policy. The reasons mentioned in paragraph 2.4 below also define Australia's political interests.

(d) Oil:

Australia draws heavily on Middle East supplies for her oil and oil products. In 1955, Australia imported from Middle East sources 56% of her total requirements of crude petroleum, 43% petroleum and shale spirit, 44% diesel and furnace oil and 26% kerosene. However, the bulk of these supplies are imported from the Persian Gulf area and do not have to pass through the Canal or along the Canal's pipelines. ^{Nevertheless} However, a world shortage of tankers resulting from use of the longer route from the Middle East to Western Europe via the Cape could reduce oil supplies to Australia.

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AUSTRALIA'S INTERESTS IN RELATION TO OTHER WESTERN INTERESTS:

2. Australia's interests differ from those of the United Kingdom and Western Europe, ⁱⁿ ~~at~~ the following ^{respects} ~~points~~:

- (a) Proprietary: Shares in the Suez Canal Company are owned principally by the United Kingdom Government (believed to be in the vicinity of 44%) and private French investors whereas there are no known Australian shareholders. There are also several hundred British and French nationals employed by the Company in Egypt but no Australian citizens;
- (b) Strategic: Approximately 80% of Western Europe's oil supplies pass through the Canal whereas Australia secures her supplies from the Persian Gulf and the U.S.A. and other sources without using the Canal;
- (c) Economic: A greater percentage of Australia's trade (approximately 60%) passes through the Canal than that of the United Kingdom or any Western European country, i.e. a higher percentage of Australia's national income is dependent on trade passing through the Canal.

As a freight payer Australia's interests are not identical with those of these predominantly freight earning countries. Higher freight charges due to increased Canal charges or diversion via the Cape would be borne by Australia.

- (d) Political: Looking at the problem in the narrowest national sense, Australian ^{policy tends to devote the major} ~~is more directly concerned~~ ^{attention to} ~~with~~ the countries of South and South-East Asia ^{the United Kingdom have been traditionally historically} whereas ~~France and the United Kingdom have greater~~ ^{concerned about} ~~interests in~~ the Mediterranean and the Middle East (e.g. oil, Algeria, Cyprus). Nevertheless, if the present situation is not satisfactorily adjusted the following political results might be expected¹:

- (i) Nasser's prestige would increase enormously, and he may be prompted to undertake further adventures in other Middle East contexts;

With inevitable consequences for Australia:

- (ii) The Soviet position in the Middle East would be consolidated;
 - (iii) Western influence through the Middle East and North Africa would be seriously reduced if not destroyed; 185
 - (iv) The French position in Algeria may become untenable;
 - (v) Other Arab countries would be encouraged to nationalise Western companies (oil);
 - (vi) The Baghdad Pact structure would be threatened;
 - (vii) Encouragement would be given to unilateral action against Western interests in other parts of the world particularly in South and South-East Asia.
- (A paper at Appendix outlines the possible consequences if Nasser's coup succeeds.)

ESSENTIAL

SAFEGUARDS TO BE SOUGHT:

3. To protect Australian and Western interests in the Canal the following are the minimum safeguards needed:

- (a) Non-discrimination: Nasser's record ~~of respecting agreements~~ is ~~by now~~ such that no reliance can be placed on his latest assurance that he will uphold freedom of navigation of the Canal as guaranteed by the 1888 Convention. As recently as 1954, in the Anglo-Egyptian Treaty, Egypt recognised the international importance of the Canal and expressed determination to uphold the 1888 Convention, yet she has continued to discriminate ^{against} Israeli shipping and trade not only in contravention of the 1888 Convention but also in defiance of the 1951 Security Council resolution.

To strengthen the ^{principle, enunciated in the} ~~provision in the 1888~~

^{1888 Convention} ~~Convention~~ that the Canal shall always be free and

open without distinction of flag, it might be

worth while ^{importing} ~~to import~~ into any new ^{treaty} ~~convention~~ the ^{further}

^{safeguard} ~~principle~~ that discrimination against one shall be

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discrimination against all. Possible ^{might} support may be forthcoming from the Indians who have already canvassed this idea in New Delhi.

- (b) Reasonable Dues: ^{Egypt} The avowed object ⁱⁿ of nationalising the Canal is to devote the revenues therefrom towards the cost of the Aswan High Dam project, estimated at approximately 1,350 million dollars or £Stg. ⁴⁸⁰ 600 million. At the same time Nasser has undertaken to compensate the Suez Canal Company shareholders ^{which} and this will involve him in an expenditure of some £Stg. 70 to £Stg. 80 millions. He has also committed the Egyptian Government to other industrial projects which if carried out will impose a severe strain on the already strained Egyptian economy. Immediate improvements to the Canal planned by the Company will cost about £Stg. 20 million while the long-term development programme to extend the Canal to meet increasing traffic needs will cost many times as much.

The net annual revenue from the Canal, after allowing for taxation and reserves ^(which has been) ~~as is~~ the ^{accepted} ~~present~~ practice) is only some £10 million. Clearly, it will be impossible for Nasser from this revenue to build the Aswan Dam, compensate shareholders and carry out essential development work on the Canal. Increased dues, ^{would} ~~therefore~~, appear inevitable ^{to} and consequently increased freight rates, with obvious effects on Australian trade: increased cost of imports, and exports less competitive in overseas markets. The financial advantages which now ^{obtain} ~~exist~~ in using the Canal could be cancelled out by unreasonable ^{charges} ~~dues~~ and there would arise a difficult period of readjustment in Australian/United Kingdom/European shipping services. A substantial portion of this trade might be diverted through the Panama Canal, depending on the extent ~~the~~ dues were raised.

(~~It had been by the increasing volume of shipping passing through it~~)

~~If Egyptian management of the Canal remains uncontrolled,~~

? to which

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(c) Competent Administration: The experience of the 183
Company has been that for efficient administrators and skilled technicians it has had to rely in the main on non-Egyptian personnel. Present employees are working under intolerable conditions; threatened ^{with} imprisonment, heavy fines and loss of compensation and pension rights and, in the case of pilots ^{with} court martial and the death ^{penalty} if they leave their posts. Freedom of employment ^{needs} will have to be restored and, ^{notwithstanding that} even though Egyptians may be taken on in increasing numbers ^{this} (as the Company has already undertaken to do) it will still be necessary for foreign personnel to be engaged. X

X. One possibility is that under uncontrolled Egyptian management use may be made of Soviet & satellite technicians

(d) Non-Interference with Shipping and Supplies in an Emergency: As mentioned in paragraph 1(b)(i) above ^{limited} (page...1....) in a ^{restricted} war in the Far East, use of the Canal for the passage of reinforcements and supplies would be desirable but not vital. Whilst, therefore, it is a principle which we should endeavour to have written into any new regime for the Canal, its omission would not be vital to Australian interests.

The Communique issued by the United Kingdom, United States & France on 2nd August 1956 states:
"That steps should be taken to establish operating arrangements under an international system designed to ensure the continuity & operation of the Canal as guaranteed by the Convention of 1888 consistently with legitimate Egyptian interests."

AUSTRALIA'S OBJECTIVES:

4. ^{stated} The aim of the conference is to secure international acceptance of a number of principles upon which to base the new regime for the Canal. // In formulating ^{our approach to the objectives} those principles our aim ^{should be} will ^{ensure} be to see that Australia's interests enumerated in paragraph 1 above are adequately protected and that the safeguards described in paragraph 3 are ^{accepted written in to the new regime is created} written into those principles. In other words we ^{should} envisage international machinery which will ensure ^{unhindered} free and unrestricted use of the Canal at all times ^{both in peace & in war,} to all nations forever (this amounts ^{to} to reaffirmation of the principles of the 1888 Convention), reasonable and non-discriminatory dues (~~international control~~) and efficient, ~~international~~ administration (~~independence of Egyptian and anti-Western administrators and technicians~~).

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7.
~~REGIME~~ INTERNATIONAL REGIME
TYPE OF REGIME ENVISAGED:

A. IDEAL

5. 9/1 deal To protect Australian and Western interests, the ideal regime would be one where ownership, control and operation were international (but allowing for Egyptian participation) and where the territory essential to the Canal's operation and control was also international, i.e. involving the concept of an international zone.

6. To attain this ideal Egypt would be required to cede certain territorial rights which she now has. These could be secured either by annexation, involving the use of force which ^{Certainly, under present circumstances it would be difficult to justify} ~~could not be justified at this stage~~, or by negotiation. However, ^{regard to} ~~having in mind~~ the composition of the Conference, it is extremely unlikely that sufficient strength ~~of international concern~~ could be mustered to ^{persuade} ~~force~~ Nasser to cede territorial rights ~~cheaply~~. In other words the deal would have to be made financially attractive to Nasser. However, although he would have lost a capital asset, it could be made to appear that once again his policy of "blackmailing" the West had been successful, whereas one of the ultimate aims of the West, if they are going to protect their long-term interests, must be to demonstrate that this high-handed act on Nasser's part has not succeeded. In their own interests, therefore, the West may be compelled ^{therefore} to seek something less than the ideal regime for the Canal.

~~Paragraph~~
B. MINIMUM REQUIREMENTS

7. The question of what are our minimum requirements of Egypt is being examined. Meanwhile it seems reasonable to say that we should require at least:-

Nov does it seem that he could be brought out, although it is not beyond possibility that an offer of large scale aid to the Egyptian economy & its developmental plans might attract him. On the other hand, his prestige is at stake, & he would probably be reluctant to cede Egyptian territory at any price whatever the price. Indeed, he can be expected to oppose any attempt to diminish the unfettered control of the Canal and he has now assumed

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PRACTICABLE :

7. In judging what is practicable full account needs also to be taken of -

(a) likely attitudes at the Conference: it seems that South and South East Asian countries will aim at some arrangements which, although, it concedes the principle of international supervision, envisages an Egyptian operating instrument; the Soviet has declared itself in favour of nationalisation; the attitude of other countries will be tempered by extraneous consideration - her economic prospects in the Middle East and apprehension about Arab recognition of East Germany in the case of the Federal German Republic; Cyprus and the Greek minority in Egypt in the case of Greece (if she attends); Gibraltar and Spanish relations with the Arabs would in the case of Spain.

(b) On the other hand ~~the conference will be dominated~~ by the desire of ^{the} United Kingdom and France to curb the pretensions and diminish the stature of Nasser. In the present context they have shown ^{no} ~~no~~ inclination to negotiate with Egypt. Their aim will almost certainly be to rally support for the imposition of an international regime and for any enforcement action which may have to be taken. Both countries look beyond the Suez Canal dispute to broader political, and economic stakes.


*There is no doubt
that no doubt inject
itself into the conference*

8. It may ~~therefore~~ prove that, if the problem is to be solved by negotiation, the best attainable solution will be one of recognising Egyptian sovereignty and the right of Egypt to operate the Canal subject to :

- (a) an international treaty, embody^{ing} protective principles to which Egypt should subscribe;
- (b) the creation of an international supervisory authority, and of an Egyptian execution^{ary} instrument;
- (c) ~~the~~ general acceptance of sanctions to be applied in the event of breach of the treaty principles.

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An arrangement embodying these minimum requirements is included in the appendices. 10



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FINANCIAL CONSIDERATIONS:

8. (a) Contributions by Canal users.

9. If the Conference reaches agreement on some form of international as distinct from Egyptian control machinery, the question of sharing operating maintenance and developmental costs. The implications of Australia having to make a contribution needs to be studied. It is suggested that the Australian Delegation to the Conference should discuss this question with the United Kingdom delegation. 179

(b) Egyptian Share in the Profits

10. An agreement concluded in 1949 between the Suez Canal Company and Egypt provided for an increased subvention by the Company to the Egyptian Government equal to 7% of the gross profits of the Suez Canal Company with a guaranteed minimum of £E.350,000. In 1955, the total sum received by Egypt from the Company, including taxes, amounted to approximately £Stg. 5 millions.

LEGAL ISSUES:

9.11 The legal issues arising from the Egyptian appropriation be dealt with in the appendices.

HANDLING OF EGYPT:

10.12 It is not known at this stage whether Egypt will attend the Conference or, whether or not she does attend, will make counter proposals. She may suggest some other venue for the Conference; in this case, depending on the capital proposed, Australia should seriously consider advocating that Egypt's request should be conceded.

11.13 If Egypt refuses to join the conference, and puts forward proposals in opposition to those on which the London Conference is based, it is considered that the London Conference should proceed without her.

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[Under the full heading
(1), international rights (1), rights
of the company, (111) rights
of employees

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12.

¹⁴
42. Whether Egypt attends or not the Conference should not regard itself simply as a mustering of force to bring pressure to bear on Egypt but as a meeting whose aim it is to find an acceptable solution to the problem. It follows that the conference should attempt to frame principles (~~governing the setting up of international machinery~~) in a way which will draw general support and at the same time make rejection by Egypt difficult. The aim should not be ⁵present decisions in the form of an ultimatum to Egypt. 178

43. ¹⁵ If, whether or not she attends, Egypt rejects decisions reached by the Conference, the question of enforcement action ~~will~~ ^{will} may arise. It is ~~most~~ improbable, having regard to the composition of the conference, that a generally agreed position will be reached (if any position results at all), except on the basis of recognition of Egypt as the operating instrument for the Canal, with an international authority superimposed. In this event, rejection by Egypt of an agreed plan would involve examination of the following courses of action:

- (a) reference to the United Nations (Appendix 6)
- (b) economic blockade (appendix 8); or,
- (c) force. : ~~X~~

~~The~~ The use of force against Egypt (or the threat to use force) except with the sanction of the United Nations would involve a breach of the Charter. If Egypt refuses to negotiate, reference to the United Nations prior to the use of force is required by Articles 2(3-4) and Articles 37(1).

44. ¹⁶ The conference may not get beyond a simple declaration of broad principle. This is how the three sponsoring powers regard its broad purpose, and the composition of the gathering suggests the

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13.

^{the improbability of any} likely hindrance and ^{an detailed} general acceptance of any agreed plan. In this event, that is to say if the outcome of the conference is a statement of general principles, the next steps ^{will} should be to obtain Egyptian acceptance of ^{them} it. To this end fullest ^{use} recourse should be made of the ^{Good} Government offices of South and South East Asian countries and in particular of Mr. Nehru.

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15. The impression cannot be avoided that the United Kingdom and France may be looking to the conference to provide support for foreseeable action against Egypt. The facts of the situation, as they presently stand, would not warrant this course so long as there is any real possibility of a solution being found by negotiation. The conference ^{and whatever emerges from it} should ~~therefore~~ be regarded as providing an opportunity for negotiation. At the same time, it is believed that the precautionary measures have served some real purpose in (a) impressing upon world opinion the gravity of the situation; (b) influencing acceptances of invitations to the London Conference. ^{may become} There is ~~merit in maintaining these measures while negotiations proceed.~~

16. If negotiations fail, or if the London conference results in a stalemate the point will be reached where ^{we shall} ~~we shall~~ be faced with the question of how Egypt should be brought into line. At this stage the question to be decided will be :

- (a) whether ^{they should be resorted} they should resort to the United Nations;
- (b) whether ~~we should support~~ economic measures against Egypt; ^{should be supported} or
- (c) whether the use of force by the ^{United Kingdom} U.S.A. and France should receive our support.

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4. A 10 Aug. 1956

TOP SECRET

1st Draft.

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BRIEF:

1. Australian Interests in the Canal.
2. Australian Interests in relation to other Eastern interests.
3. Essential Safeguards.
4. Australian Objections.
5. International Regime.
6. Financial Considerations.
7. Legal Issues.
8. Handling of Egypt.

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APPENDICES:

1. Text of 1888 Convention.
2. Text of Concessions. 1854-1856.
3. Suez Canal Company:
 - (a) History, status and assets;
 - (b) Origins of the expropriation;
 - (c) Nationalisation controls imposed by Egyptian authorities.
4. Attitudes of countries to Suez Canal Situation.
5. International Waterways.
6. United Nations.
7. Talking Points for Mr. Nehru.
8. Vulnerability of Egypt to Economic Pressure.
9. Significance of Australian trade with Egypt.
10. Suez Canal Regime: Minimum Requirements.
11. *Principles agreed by UK, USA & France as framework for discussion at Conference*
12. *Legal issues.*

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Copy No. 2 of 3 copies

DRAFT.

AUSTRALIA'S INTERESTS IN THE CANAL:

1. Australia's interests in the Canal are:

(a) Proprietary: It is not known whether there are any Australian shareholders, but if there are, their holdings are not expected to amount to any substantial sum.

(b) Interests arising out of use of the Canal:

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(i) Strategic: The Canal has become the traditional link between the United Kingdom and Europe on the one hand and South and South-East Asia and Australia on the other. In a restricted war in the Far East use of the Canal for the passage of reinforcements and supplies from the United Kingdom would be desirable, but not vital, because of the alternative sea route via the Cape. In an emergency, the first echelon of reinforcements from the United Kingdom, to meet immediate requirements, would be sent by air. Follow-up echelons would be sent by sea. If denial of the use of the Canal necessitated the use of the Cape route, this would involve an additional four to six days in the movement of the sea-borne echelons. In the event of global war, no reliance could be placed on the use of the Canal, in any event, owing to its vulnerability to nuclear attack.

(ii) Economic: The Canal is important to Australia as the shorter and less expensive route for her trade, of which approximately 60% passes through the Canal. It has been estimated that if the Canal were closed to Australia, the annual cost in increased freight charges via the Cape would be £A.11 million. Shipping schedules would also

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2.

be greatly affected. The longer haul via the Cape would add about eight days on the round voyage to Melbourne and could possibly result in some shipping shortages.

Australia is also concerned to ensure that freight charges shall remain reasonable. Unreasonable dues would have the obvious effect of raising freight rates with consequential effects not only on the cost structure but also on the pattern of trade itself; by making Australian goods less competitive in overseas markets, balance of payments difficulties may be increased.

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(c) Political:

Australia is interested in ensuring that the Canal shall not be exploited by any one country or a number of countries for purposes of national or foreign policy. The reasons mentioned in paragraph 2.100 below also define Australia's political interests.

(d) Oil:

Australia draws heavily on Middle East supplies for her oil and oil products. In 1955, Australia imported from Middle East sources 56% of her total requirements of crude petroleum, 43% petroleum and shale spirit, 44% diesel and furnace oil and 26% kerosens. However, the bulk of these supplies are imported from the Persian Gulf area and do not have to pass through the Canal or along the Canal's pipelines. However, a world shortage of tankers resulting from use of the longer route from the Middle East to Western Europe via the Cape could reduce oil supplies to Australia.

AUSTRALIA'S INTERESTS IN RELATION TO OTHER WESTERN INTERESTS:

2. Australia's interests differ from those of the United Kingdom and Western Europe, at the following points:

- (a) Proprietary: Shares in the Suez Canal Company are owned principally by the United Kingdom Government (believed to be in the vicinity of 44%) and private French investors whereas there are no known Australian shareholders. There are also several hundred British and French nationals employed by the Company in Egypt but no Australian citizens;
- (b) Strategic: Approximately 80% of Western Europe's oil supplies pass through the Canal whereas Australia secures her supplies from the Persian Gulf and the U.S.A. and other sources without using the Canal;
- (c) Economic: A greater percentage of Australia's trade (approximately 60%) passes through the Canal than that of the United Kingdom or any Western European country, i.e. a higher percentage of Australia's national income is dependent on trade passing through the Canal.

As a freight payer Australia's interests are not identical with those of these predominantly freight earning countries. Higher freight charges due to increased Canal charges or diversion via the Cape would be borne by Australia.

- (d) Political: Looking at the problem in the narrow national sense, Australia is more directly concerned with the countries of South and South-East Asia whereas France and the United Kingdom have greater interests in the Mediterranean and the Middle East (e.g. oil, Algeria, Cyprus). Nevertheless, if the present situation is not satisfactorily adjusted the following political results might be expected:
 - (i) Nasser's prestige would increase enormously, and he may be prompted to undertake further adventures in other Middle East contexts;

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4.

- (ii) The Soviet position in the Middle East would be consolidated;
- (iii) Western influence through the Middle East and North Africa would be seriously reduced if not destroyed;
- (iv) The French position in Algeria may become untenable;
- (v) Other Arab countries would be encouraged to nationalise Western companies (oil);
- (vi) The Baghdad Pact structure would be threatened;
- (vii) Encouragement would be given to unilateral action against Western interests in other parts of the world particularly in South and South-East Asia.
~~(A paper at Appendix outlines the possible consequences if Nasser's coup succeeds.)~~

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SAFEGUARDS TO BE SOUGHT:

3. To protect Australian and Western interests in the Canal the following are the minimum safeguards needed:

- (a) Non-discrimination: Nasser's record of respecting agreements is by now such that no reliance can be placed on his latest assurance that he will uphold freedom of navigation of the Canal as guaranteed by the 1888 Convention. As recently as 1954, in the Anglo-Egyptian Treaty, Egypt recognised the international importance of the Canal and expressed determination to uphold the 1888 Convention, yet she has continued to discriminate ^{against} Israeli shipping and trade not only in contravention of the 1888 Convention but also in defiance of the 1951 Security Council resolution.

To strengthen the provision in the Convention that the Canal shall always be free and open without distinction of flag, it might be worth while to import into any new convention the principle that discrimination against one shall be

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discrimination against all. Possible support may be forthcoming from the Indians who have already canvassed this idea in New Delhi.

- (b) Reasonable Dues: The avowed object of nationalising the Canal is to devote the revenues therefrom towards the cost of the Aswan High Dam project, estimated at approximately 1,350 million dollars ^{or} ~~or~~ ⁴⁸⁰ £Stg. 600 million. At the same time Nasser has undertaken to compensate the Suez Canal Company shareholders and this will involve him in an expenditure of some £Stg. 70 to £Stg. 80 millions. He has also committed the Egyptian Government to other industrial projects which if carried out will impose a severe strain on the already strained Egyptian economy. Immediate improvements to the Canal planned by the Company will cost about £Stg. 20 million while the long-term development programme to extend the Canal to meet increasing traffic needs will cost many times as much.

The net annual revenue from the Canal after allowing for taxation and reserves as is the present practice is only some £10 million. Clearly, it will be impossible for Nasser from this revenue to build the Aswan Dam, compensate shareholders and carry out essential development work on the Canal. Increased dues, therefore, appear inevitable, and consequently increased freight rates, with obvious effects on Australian trade: increased cost of imports, and exports less competitive in overseas markets. The financial advantages which now exist in using the Canal could be cancelled out by unreasonable dues and there would arise a difficult period of readjustment in Australian/United Kingdom/European shipping services. A substantial portion of this trade might be diverted through the Panama Canal, depending on the extent to dues were raised.

(c) Competent Administration: The experience of the Company has been that for efficient administrators and skilled technicians it has had to rely in the main on non-Egyptian personnel. Present employees are working under intolerable conditions, threatened with imprisonment, heavy fines and loss of compensation and pension rights and in the case of pilots with court martial and death, if they leave their posts. Freedom of employment will have to be restored and even though Egyptians may be taken on in increasing numbers as the Company has already undertaken to do, it will still be necessary for foreign personnel to be engaged.

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(d) Non-Interference with Shipping and Supplies in an Emergency: As mentioned in paragraph 1(b)(i) above (page.....) in a restricted war in the Far East, use of the Canal for the passage of reinforcements and supplies would be desirable but not vital. Whilst, therefore, it is a principle which we should endeavour to have written into any new regime for the Canal, its omission would not be vital to Australian interests.

AUSTRALIA'S OBJECTIVE:

4. The aim of the conference is to secure international acceptance of a number of principles upon which to base the new regime for the Canal. In formulating those principles our aim will obviously be to see that Australia's interests enumerated in paragraph 1 above are adequately protected and that the safeguards described in paragraph 3 are written into those principles. In other words we envisage international machinery which will ensure free and unrestricted use of the Canal at all times to all nations forever (this amounts to reaffirmation of the principles of the 1888 Convention), reasonable and non-discriminatory dues (international control) and efficient, international administration (independence of Egyptian and anti-Western administrators and technicians).

TYPE OF REGIME ENVISAGED:A. IDEAL

5. To protect Australian and Western interests, the ideal regime would be one where ownership, control and operation were international (but allowing for Egyptian participation) and where the territory essential to the Canal's operation and control was also international, i.e. involving the concept of an international zone. 169

6. To attain this ideal Egypt would be required to cede certain territorial rights which she now has. These could be secured either by annexation, involving the use of force which could not be justified at this stage, or by negotiation. However, having in mind the composition of the Conference, it is extremely unlikely that sufficient strength of international concern could be mustered to force Nasser to cede territorial rights cheaply. In other words the deal would have to be made financially attractive to Nasser. However, although he would have lost a capital asset, it could be made to appear that once again his policy of "blackmailing" the West had been successful, whereas one of the ultimate aims of the West, if they are going to protect their long-term interests, must be to demonstrate that this high-handed act on Nasser's part has not succeeded. In their own interests, therefore, the West may be compelled to seek something less than the ideal regime for the Canal.

B. MINIMUM REQUIREMENTS

7. The question of what are our minimum requirements of Egypt is being examined. Meanwhile it seems reasonable to say that we should require at least :-

- (a) An international treaty (or the Convention of 1888 re-affirmed, with protocols added bringing it up to date and with provision for accessions - an untidy alternative). The 1888 Convention in Article 16 provides for accession on the invitation of the contracting parties. If Egypt will not come in to

a new treaty it may be better to retain the 1888 Convention, which does bind Egypt. The existing Article 8 provides some supervisory powers, which could be extended by protocol. A treaty without Egypt would not be worth the paper it is written on and may in fact lead Egypt to claim that the 1888 Convention no longer applies. 168

- (b) An international supervisory authority with defined powers;
- (c) An executive instrument;
- (d) Some definition of sanctions.

8. The treaty should aim at as wide a membership as possible. It should at least embrace the parties invited to the London Conference. It should contain provision for accessions. It should:-

- (a) Following a preamble pointing to the international stakes and importance of the Canal and the position of Egypt, lay down essential principles of a general nature;
 - (i) navigation and access to be free and unrestricted;
 - (ii) the Canal to be open to all flags on a footing of complete equality so that no distinction is made to the detriment of the subject goods or flags of any power, or between them and the subject goods and flag of Egypt;
 - (iii) Dues to be moderate in amount and not discriminatory; the incidence of them should in no case involve differential treatment. The bases of assessment should be stated, e.g. tonnage and goods. The principles governing revision should be generally stated;

- (iv) the principles laid down to apply at all times both in peace and war and to vessels of commerce and of war of all nations. (See the extent to which Egypt is at present bound by Article 4 of the 1888 Convention). The works necessary to the operation of the Canal to enjoy immunity from attack or injury both in time of war and of peace;
- (v) no acts of hostility in the Canal; (the broad principles of the Constantinople Convention could be adopted, including those relating to the passage of vessels of belligerents). Note, however, that measures of self-defence would probably have to be conceded to Egypt (See 1888 Convention Article 10);
- (vi) customs duties and tolls in respect of goods loaded or discharged in Egyptian ports to be levied in such a manner as to cause no hinderance to navigation;
- (vii) ports on the Canal and their machinery and equipment to be accessible to ships without distinction of flag; no preferential treatment;
- (viii) no hindrance to national shipping agencies;
- (ix) general policing may be exercised by Egypt which will communicate all relevant regulations to the international authority to enable it to satisfy itself that they did not infringe the principle of free navigation;
- (x) offences against Egyptian police regulations to be reported;
- (xi) no threatening works or assemblages in the region of the Canal;
- (xii) Canal to be maintained in accordance with the highest technical and administrative standards;

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- (xiii) possibly progressive extension of the Canal's capacity to meet traffic demands;
 - (xiv) any act of discrimination against one user to be treated as discrimination against all users;
 - (xv) provision of assistance to the executive instrument for the carrying out of efficient operation, maintenance and extension
- (b) Define an international supervisory authority:-
- (i) its composition and budget;
 - (ii) provision for additions to it if any signatory or acceding states can show that its commercial interests justify membership of the authority;
 - (iii) its privileges and immunities (if needed);
 - (iv) location of it;
 - (v) scope of its powers and duties, e.g. upholding generally the essential principles of the treaty, fixing (or approving) of dues, settling and/or recommending (approving) of works programmes and general powers of inspection;
 - (vi) its powers and duties of regular and emergency reporting to the contracting parties.
- (c) Define the executive instrument:-
- (i) the character of it, Egyptian or otherwise;
 - (ii) composition of it;
 - (iii) its powers and duties:
 - 1. to administer and maintain the Canal;
 - 2. to undertake responsibility for repairs, maintenance and improvements;
 - 3. to refer to the international authority a description of all works it considers necessary in the interests of navigability;
 - 4. to collect dues;
 - 5. to set up administrative, quarantine and financial services.

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- (d) To define financial responsibility for the Canal:-
- (i) to lay down the principle that dues shall be reasonable, based on operating and maintaining and improvement costs allowing for a reasonable return on capital;
 - (ii) to fix compensation in respect of the present company. 165
- (e) To provide sanctions:-
- (i) any alleged breach of the Convention or any dispute to be dealt with by negotiation and, failing that, by a defined tribunal, e.g. by the International Court or by an arbitral tribunal or by the international authority (the delays open under a court action might prove an embarrassment in an emergency. An arbitration commission on the spot may provide the best answer);
 - (ii) international authority to be empowered to execute, at the expense of the executive instrument, improvements and repairs which the executive instrument fails to carry out;
 - (iii) provision for the international authority to take over the management of the Canal if the executive instrument is determined to have infringed the treaty.

9. The essence of any scheme must be international supervision on the spot of a widely supported international treaty defining strictly the principles of operation of the Canal.

FINANCIAL CONSIDERATIONS:

- (a) Possible contributions by Canal users.

It is conceivable that if the Conference reaches agreement on some form of international control machinery, the question of sharing maintenance and other possible costs connected with the operation of the Canal may arise.

The implications of Australia having to make a contribution are being studied. It is suggested that the Australian Delegation to the Conference should discuss this question with the United Kingdom delegation.

(b) Egyptian Share in the Profits.

A Convention of 1949 provides for an increased subvention to the Egyptian Government equal to 7% of the gross profits of the Suez Canal Company with a guaranteed minimum of £E.350,000. In 1955, the total sum received by Egypt from the Company, including taxes, amounted to approximately £Stg.5 millions.

LEGAL ISSUES:

To be fitted in.

HANDLING OF EGYPT:

10. At the time of writing it is not known whether Egypt will attend the Conference or will make counter proposals. It is possible that she will suggest some other venue for the Conference; in this case Australia should seriously consider advocating that Egypt's request should be conceded. If Egypt refuses to attend and puts forward some alternative proposal it is considered that the Conference in London should proceed.

11. Whether Egypt attends or not the Conference should not regard itself as a mustering of force to bring pressure to bear on Egypt but as a meeting whose aim it is to find an acceptable solution to a problem. It follows then the Conference should attempt to frame principles (governing the setting up of international machinery) in such a way that they will be acceptable to Eastern countries such as India, Pakistan and Ceylon and at the same time will warrant careful consideration by Egypt. The Conference should avoid presenting principles in the form of an ultimatum to Egypt.

12. If Egypt refuses to attend or rejects reasonable conditions agreed on by the Conference, the question of enforcement action is bound to arise. This could be in the form of -

- (a) reference to the United Nations, the potentialities of which are dealt with in Appendix 6;
- (b) economic blockade (Appendix 8); or,
- (c) force.

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13. It is clear that the use of force against Egypt (or even the threat of the use of force) except with the sanction of the United Nations would involve a breach of the Charter. If Egypt refuses to negotiate, reference to the United Nations prior to the use of force is required by Articles 2(3-4) and Articles 37(1). There are other substantial reasons against the use of force in this situation, including -

- (a) it would result in a heavy and indefinite commitment of forces in the Canal area to protect it, particularly from sabotage;
- (b) such action could jeopardize the supply of oil through Syria and the Arab countries which are sympathetic to Egypt. At least the risk of sabotage would be greatly increased.

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DRAFT FORMAT OF BRIEF FOR SUEZ CANAL CONFERENCE, LONDON,
16th AUGUST.

AUSTRALIA'S INTERESTS IN SUEZ CANAL:

1. (a) proprietary interests?
 - (b) interests arising out of use of Canal;
 - (i) strategic;
 - (ii) economic (with figures) — m B
 - (c) political interests;
 - (d) oil supplies.
2. Extent to which these interests differ from those of other participants in Conference.

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SAFEGUARDS TO BE SOUGHT:

Safeguards are needed against:

- (i) discrimination
- (ii) unreasonable dues
- (iii) incompetent administration
- (iv) interference with shipping and supplies in emergency.

AUSTRALIA'S OBJECTIVE AT CONFERENCE:

To protect our interests and provide adequate safeguards. International machinery which will ensure free and unrestricted use of the Canal at all times to all nations forever (this amounts to re-affirmation of principles of 1888 Convention), reasonable and non-discriminatory dues (international control) and efficient administration.

TYPE OF REGIME ENVISAGED:

I. Ideal:

- (a) international zone (territorial rights);
- (b) international control and operation (but including Egyptian participation);
- (c) financial (profits, operating costs, maintenance, new works).

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II. Minimum:

- (a) international control of operations;
- (b) international convention (or 1888 Convention brought up to date).

FINANCIAL:

Possible implications of establishing an international regime. Who will pay for maintenance costs? Who will assume responsibility for buying out the Canal Company? What financial obligations can (or should) Australia assume?

B

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LEGAL ISSUES:

- (a) Rights of the Company
- (b) International rights *Amendments*
- (c) Rights of Company employees.

all

HANDLING OF EGYPT:

- (i) method of negotiation if:
 - (a) she declines to attend Conference; *India*
 - (b) attends but rejects conditions:
- (ii) use of compulsion (military or economic):
 - (a) in present circumstances?
 - (b) if Egypt rejects Conference recommendation?
 - (c) if Egypt rejects U.N. recommendation?

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for Kevin

Secret

I visualize that Egypt
may refuse to attend
the conference in London
owing to the pressure
being exerted on her.
On the other hand she
may agree to meet
representatives of the
conference in a neutral
capital e.g. Geneva. What
would our attitude be
to any such proposal?

Phoned Brown - ^{Walt}
~~204~~ Saw said to

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AUSTRALIA'S INTERESTS IN SUEZ CANAL:

- I./ (a) proprietary interests? ~~Nil(?)~~
(b) interests arising out of use of Canal:
(i) strategic;
(ii) economic (with figures).
(c) political interests.

II.2 Extent to which these interests differ from those of other participants in Conference.

SAFEGUARDS TO BE SOUGHT:

the safeguards are needed against discrimination

Against ^(unimpaired, unimpaired, unimpaired) ~~discrimination, higher dues, unimpaired administration, interference in commerce~~ ^(oil shipping, supplies) ~~(see U. 10180 to Asian posts).~~
An international regime is envisaged.

AUSTRALIA'S OBJECTIVE AT CONFERENCE:

To protect our interests and provide adequate safeguards. International machinery which will ensure free and unrestricted use of the Canal at all times to all nations forever ^(the amount to be offered to principle of 1888 Convention) ~~(1888 Convention up to date)~~, reasonable and non-discriminatory dues (international control) and efficient administration. ~~(non Egyptian)~~

TYPE OF REGIME ENVISAGED:

I. Ideal:

- (a) international zone (territorial rights);
(b) international control and operation (but including Egyptian participation) ~~do we want Russian participation?~~;
(c) financial (profits, operating costs, maintenance, new works).

II. Minimum:

- (a) international control ^{of operations}
(b) international convention ^{or} (1888 Convention brought up to date).

FINANCIAL:

Possible implications of establishing an international regime. *How will they pay for maintenance costs? Who will assume responsibility for buying out the Canal Company? What financial obligations can (Australia) assume?*

LEGAL ISSUES:

- (a) Rights of the Company.
(b) International rights. ~~(discrimination)~~.
(c) Rights of Company employees

Handling of Egypt

(i) use of force compulsion (military or economic)

a) ⁱⁿ present circumstances?

b) ^{if it was after} after ~~present~~ Egypt rejects conference recommendation?

c) after Egypt rejects U. N. recommendation?

(ii) method of negotiation if ~~the rejects conference~~

a) she declines to attend conference

b) attends but rejects conditions

SANCTIONS TO ENFORCE EGYPTIAN ACCEPTANCE:

- (a) economic blockade;
- (b) naval blockade;
- (c) use of force;
- (d) reference to the U.N.
- (e) International Court.

Question of denunciation

BASIC PAPERS - *Tentative* HISTORY of Concessions and 1888 Convention
DIARY OF EVENTS

DEPARTMENTS TO BE CONSULTED: PANAMA CANAL (Control etc) and other
international waterways
ATTITUDE OF OTHER COUNTRIES (ISRAEL)
TRADE FIGURES *Phil Morris*

External Affairs.

Defence.

Army.

Air.

Navy.

Trade.

Civil Aviation.

Shipping and Transport.

Treasury.

Prime Minister's.

*Statistical. naval
and general*

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TENTATIVE TIMETABLE:

- Monday- 6th August: Call inter-Departmental meeting and circulate E.A. base paper;
- Tuesday-7th August: Inter-Departmental conference;
- Wednesday
- Wednesday 8th Aug.: Submit draft brief to all Depts.;
- Thursday- 9th Aug.: Cabinet submission.
- Fri/Sat -10/11th: Delegation depart for London (?)
(Conference meets London 16th August.

Last safe-hand bag to London, Wednesday 8th August, arriving London 13th/14th August).

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Revised Report by 19/8/58

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DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER 17
OUTWARD CABLEGRAM.

ABK:HP

O.10842
Sent: 9th August, 1956.
1830

TO:

Australian High Commission,
L O N D O N.

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1813. TOP SECRET. IMMEDIATE.

For Menzies from Casey.

Suez Canal.

I suggest you might usefully try to clarify what are the objectives the United Kingdom believes can be achieved by setting up an international authority. This analysis would help to show what is attainable. I also believe it would throw doubt on the net gains to be obtained from using force if Nasser will not accept an international authority.

2. The economic objectives are clear enough (efficiency, capital development, and reasonable charges). Another United Kingdom objective no doubt is to deter comparable seizures of strategic commercial interests elsewhere (e.g. oil). But do the United Kingdom believe that internationalisation of the facilities of the Canal itself will deny Egypt the possibility of deliberate interference with ships - for example at the Egyptian ports of entry through exercise of quarantine, customs powers, etc.? Compulsory unloading of cargoes for Israel has been going on since 1948. Moreover, whatever restraint was imposed on Egypt by the presence of British forces in the Canal disappeared with those forces in 1954. On the face of it, the forcible re-entry of troops (which many would categorize as aggression), or persuasion are unlikely to achieve any more definite assurance of Egyptian performance than prevailed when there were 80,000 British troops on the Canal.

3. I notice that Eden argued in the House on 2nd August that freedom and security of transit can be effectively ensured only by an international authority. I would have thought that, as long as this Canal passes through Egyptian territory, it will be impossible by any means to "ensure Egyptian performance. But we are entitled to believe (at least until the contrary is proven) that it will be possible to get by negotiation all that it would be possible to get by force. What does seem to be a practicable objective is to have an international administration of the facilities (for economic reasons) alongside a modernized treaty which would incorporate some new arrangements for getting complaints heard and decided promptly by an international judicial body together with a provision that failure to conform to decisions by this body would be an act justifying measures of redress. Short of unqualified international administration, it might be possible to swallow an Egyptian Company under an international commission empowered by treaty to direct policy and to take over in the event of non-performance.

4. If the United Kingdom were to agree that forcible

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/measures.....

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DEPARTMENT OF EXTERNAL AFFAIRS.

COPY NUMBER.....

OUTWARD CABLEGRAM.

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measures (apart from their disadvantages) cannot bring about a certainty that Egypt will always provide free passage, it would be logical for them to exhaust the possibilities of negotiations for the best attainable safeguards before contemplating force or making any further demonstrations.

5. As to negotiations, it is my view that the United Kingdom should give Nasser some ice to slide on as regards the place of the conference and make it formally clear that the Conference will discuss arrangements without pre-conditions. Furthermore, if the objective is Egyptian agreement to an arrangement which has earned wide international support, the process of negotiation will probably occupy a longer time than the United Kingdom has so far contemplated in what they have said publicly or privately.

6. I am wondering whether the United Kingdom is making a sufficient effort to talk this problem out with the Russians.

Min. & Dept. of External Affairs.
" " " " Defence.
A/ " " " " Trade (Canb.)
Mr. E.J. Bunting.

Cost - £49.8.4.

10th August, 1956.

SEC A/Ss MR.BREANNAN DR.WYNES MR.LOOMES MR.LANDALE MR.BOOKER
MR.BILLINGTON MR.LOVEDAY MR.LAWREY

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DEPARTMENT OF EXTERNAL AFFAIRS.

TOP SECRET

11

OUTWARD CABLEGRAM.

BH:HMCC

0.10848

Sent: 9th August, 1956.
2030

TO:-

Australian High Commission,
L O N D O N (For External)

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1814. TOP SECRET.

For McCarthy and McIntyre only.

Following telegram contains text of note by Defence Committee on Australian Defence Aspects of Suez situation dated August 2nd. Further appreciation on objectives and military implications of the use of force and on possible Australian contribution prepared on instructions from Prime Minister will be carried to London by myself. In the meantime, suggest he be shown telegraphed note.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
MR. E.J. BUNTING.

(COST £7.0.0)
10th August, 1956.

SEC A/Ss MR. LANDALE MR. LOVEDAY DL

CROTONATE,

LONDON

(For External)

163/4/7/3/3-
~~TOP~~ SECRET

Copy no. 2 of 2

153

TOP

SECRET

For McIntyre

Following telegram contains text of note by Defence Committee on Australian Defence Aspects of Suez Situation dated August 2nd. Further appreciation on objectives and military implications of the use of force and on possible Australian force contribution prepared on instructions from Prime Minister is being sent to him by bag today. In the meantime, suggest he be shown telegraphed report.

File wray

AHT/SCB

SECRET

9/8/56

TOP SECRET

Copy N o. 3 of 3

DRAFT CABLEGRAM TO CROTONATE LONDON

TOP SECRET

IMMEDIATE

151

For Menzies from Casey

Suez Canal

1. I suggest you might usefully try to clarify what are the objectives the United Kingdom believes can be achieved by setting up an international authority. This analysis would help to show what is attainable. I also believe it would throw doubt on the net gains to be obtained from using force if Nasser will not accept an international authority.
2. The economic objectives are clear enough (efficiency, capital development, and reasonable charges). Another United Kingdom objective no doubt is to deter comparable seizures of strategic commercial interests elsewhere (e.g., oil). But do the United Kingdom believe that internationalization of the facilities of the Canal itself will deny Egypt the possibility of deliberate interference with ships - for example at the Egyptian ports of entry through exercise of quarantine, customs powers, etc.? Compulsory unloading of cargoes for Israel has been going on since 1948. Moreover, whatever restraint was imposed on Egypt by the presence of British forces in the Canal disappeared with those forces in 1954. On the face of it, the forcible re-entry of troops (which many would categorize as aggression), or persuasion are unlikely to achieve any more definite assurance of Egyptian performance than prevailed when there were 80,000 British troops on the Canal.
3. I notice that Eden argued in the House on August 2nd that freedom and security of transit can be effectively ensured only by an international authority. I would have thought that, as long as this Canal passes through Egyptian

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Copy No. 3 of 3

2.

territory, it will be impossible by any means to "ensure" Egyptian performance. But we are entitled to believe (at least until the contrary is proven) that it will be possible to get by negotiation all that it would be possible to get by force. What does seem to be a practicable objective is to have an international administration of the facilities (for economic reasons) alongside a modernized treaty which would incorporate some new arrangements for getting complaints heard and decided promptly by an international judicial body together with a provision that failure to conform to decisions by this body would be an act justifying measures of redress. Short of unqualified international administration, it might be possible to swallow an Egyptian Company under an international commission empowered by treaty to direct policy and to take over in the event of non-performance. 150

4. If the United Kingdom were to agree that forcible measures (apart from their disadvantages) cannot bring about a certainty that Egypt will always provide free passage, it would be logical for them to exhaust the possibilities of negotiations for the best attainable safeguards before contemplating force or making any further demonstrations.

5. As to negotiations, it is my view that the United Kingdom should give Nasser some ice to slide on as regards the place of the conference and make it formally clear that the Conference will discuss arrangements without pre-conditions. Furthermore, if the objective is Egyptian agreement to an arrangement which has earned wide international support, the process of any negotiation will probably occupy a longer time than the United Kingdom has so far contemplated in what they have said publicly or privately.

DISTRIB:

6. I am wondering whether the United Kingdom is making a sufficient effort to talk this problem out with the Russians.

Authorized by.....

TOP SECRET

9/8/56

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DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER 24

INWARD CABLEGRAM.

162/4/2/3/3

FL:AS

I.10461

Dated: 8th August, 1956

1916

FROM:

Rec'd: 9th August, 1956

0900

Australian Embassy,
PARIS.

254. TOP SECRET (and in confidence).

Addressed Canberra 254 repeated savingram
London 70 for Prime Minister.

I went to see British Ambassador this morning (8th August). He had cancelled the latter part of his leave and returned to Paris from south of France yesterday. (He had also spent a week in London attending Three-Power Talks). He described the situation as "critical".

2. Jebb stressed that French opinion was very strong and unanimous (except for Communists). French wanted either to eliminate or to humble Nasser. This, however, was not so much because of Suez Canal as North Africa.

3. British and French were still very close together. In England, however, there were two main schools of thought about the use of force. He distinguished between Conservative opinion on the one hand, and Liberal and the majority of Labour opinion on the other (including "Manchester Guardian", "News Chronicle", "Daily Herald"). The latter group favoured use of force only if Nasser used force first, i.e. any form of violation of the 1888 Convention. There were also about 40 Labour members who were opposed to use of force in any circumstances.

4. Jebb said Makins' report from Washington indicated feeling there was "flabby". There was a good deal of irritation at crisis over what they regarded as a non-major issue. He added that at the London Conference last week he thought Dulles had gone as far as it was possible for him to go at that stage. French opinion was still anti-United States of America but rather less so than it had been.

5. I asked him about attitude of U.S.S.R. "That is the unknown quantity". He doubted whether U.S.S.R. would offer Egypt an alliance. Report of their sending a fleet into the Mediterranean had been denied and Turkey would certainly know if ships passed the Dardanelles (though possibly not submarines).

6. Allen asked what was Australia's attitude. He said he had heard the Government were against use of force and asked if this were so. I told him I had no information on this but that the situation was regarded very seriously and I gave instances. He said I can fully realise importance of Canal issue to Australia. He added it would be intolerable if Nasser were to increase Canal dues in order to finance a local dam. This he felt was the weak point in the Egyptian case.

TOP SECRET

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CABLEGRAM.

-2-

I.10461

7. He said the conference might last as long as 10 days but could hardly last longer. There was bound to be a critical period about 26th August which might involve recall of United Kingdom and French Parliaments.

8. He spoke of telegram from Cairo reporting India's Ambassador's interview with Nasser evidently proposing some intermediate solution. For what it might be worth Indian Ambassador had said Nasser had assured him that he would do nothing rash.

Stirling.

MIN&DEPT EA
MIN&DEPT DEFENCE
MR.E.J. BUNTING

9th August, 1956

SEC A/Ss

DR. WYNES MR. LOOMES MR. LANDALE MR. BILLINGTON
MR. LAWREY MR. LOVEDAY MR. BOOKER.

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS. COPY

NUMBER 1

INWARD TELETYPE MESSAGE.

D1061 1247 8.8.196

TO SECRETARY, DEPARTMENT OF EXTERNAL AFFAIRS, CANBERRA
FROM DIRECTOR-GENERAL OF CIVIL AVIATION, MELBOURNE

T O P S E C R E T

TOP
SECRET

YOUR MESSAGES 976 AND 977(.)

CIVIL AVIATION INTEREST IN CANAL CRISIS IS PRINCIPALLY
RELATED TO TWO ASPECTS(.)

FIRSTLY CAIRO IS COMMERCIALY THE MOST VALUABLE TRAFFIC
CENTRE IN THE MIDDLE EAST FOR AUSTRALIAN INTERNATIONAL AIR SERVICES
OPERATING TO AND FROM THE UNITED KINGDOM AND THE DEVELOPMENT OF
A DISTURBED SITUATION IN EGYPT AND THE CONSEQUENT WITHDRAWAL OF
QANTAS SERVICES FROM THERE WOULD ADVERSELY AFFECT QEA COMMERCIALY(.)
THIS IS PURELY A CIVIL AVIATION ASPECT AND MUST BE WEIGHT+ WI+
WEIGHED AGAINST WHAT ARE PROBABLY MORE IMPORTANT ASPECTS OF THE
GENERAL SITUATION(.) OF COURSE IF GENERAL UNSETTLED CONDITIONS
IN EGYPT SPREAD WIDELY TO OTHER PARTS OF THE MIDDLE W+ EAST
IT COULD LEAD TO THE CUTTING OF CIVIL AIR CONNECTIONS TO LONDON
THROUGH THAT AREA INVOLVING BIG DIVERSIONS THROUGH AFRICA OR
NORTH AMERICA(.)

SECONDLY IF OIL SUPPLIES CANNOT BE ROUTED THROUGH THE SUEZ
CANAL OR THEIR PASSAGE INVOLVES THE PAYMENT OF HIGHER DUES IT WILL
INEVITABLY LEAD TO INCREASES IN THE COST OF AVIATION FUEL TO
THE AUSTRALIAN AIRLINE INDUSTRY AS OCCURRED IN THE CASE OF THE
PARIS PERSIAN OIL DISPUTE(.) CLOSURE OF THE CANAL TO OIL
TRAFFIC COULD MEAN A DIMINUTION OF AVIATION FUEL SUPPLIES(.)
OF COURSE BOTH THESE ASPECTS ARE PART OF A GENERAL RESULT WHICH
NO DOUBT YOU HAVE ALREADY TAKEN INTO ACCOUNT(.)

MESSAGE ENDS

1253

148

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD TELETYPE MESSAGE.

D105 0

1410

7.8.1956

TO MR. TANGE, SECRETARY, DEPARTMENT OF EXTERNAL AFFAIRS

FROM SIR FREDERICK SHEDDEN, SECRETARY, DEPARTMENT OF DEFENCE

T O P S E C R E T

YOUR NO. 978

JOINT PLANNING COMMITTEE IS TODAY COMPLETING A

DRAFT PAPER COVERING BOTH ASPECTS REFERRED TO IN YOUR MESSAGE,
VIZ - 'AN APPRECIATION OF OBJECTIVES AND MILITARY IMPLICATIONS
OF THE USE OF FORCE BY THE UNITED KINGDOM, FRANCE, AND SUCH OTHER
COUNTRIES AS MIGHT JOIN THEM AGAINST EGYPT' (PARAGRAPH 1), AND
AN APPRECIATION 'AS TO WHAT AUSTRALIA MIGHT DO AND WHERE AND
HOW IN THE EVENT OF OUR OWN PARTICIPATION', AS REQUESTED BY THE
PRIME MINISTER (PARAGRAPH 2).

2. IT IS EXPECTED THAT DEFENSE COMMITTEE PAPER WILL BE
AVAILABLE FOR TELEPRINTING FOR MINISTERS' CONSIDERATION
IN CANBERRA TOMORROW.

MESSAGE ENDS 1413

Mr. Bellingham
163/4/2/3/3

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Mr. Tange
check by him
147
11/8

FA

OUTWARD CABLEGRAM.

COPY NUMBER

15

163/4/7/3/3

HP:AS

O.10694

Sent: 7th August, 1956
2315

TO:

Australian Embassy,
WASHINGTON.620. TOP SECRET. IMMEDIATE.

146

Menzies from Fadden.

We had a long discussion in full Cabinet with all Ministers present to-day on the Suez Canal problem. I told them of my several communications with you by telegram and telephone and Casey presented a full picture of the problem in the light of the factual position and the many issues involved, including Australia's most important interest in the freedom of use of the Canal. I invited every Minister to express himself and the discussion was quite a good one.

There was unanimous condemnation of Nasser's arbitrary action. There was some criticism of the United Kingdom's attitude on military preparations (largely from Casey and McBride) but an overwhelming majority of Ministers believed that, bearing in mind Nasser's savaging of international engagements to which Egypt is a party, the United Kingdom had no alternative but to respond to Egypt's unilateral and high-handed action by an immediate and firm reaction such as Eden had given and by at least the tentative military preparations that Britain has made.

The view was unanimously held that some form of broader international control of the Suez Canal should emerge from this incident and that the rather out-of-date Suez Canal Convention and Agreement should be brought up-to-date.

There was unanimous agreement that we should maintain our traditional support of the United Kingdom and Ministers generally agreed that every effort should be made to get the utmost American support for the British cause. In addition, we should, of course, seek the greatest degree of support within the Commonwealth.

So far as you yourself are concerned, Ministers agreed unanimously that you should return to London as soon as you can.

Since the meeting we have received the message that you will be leaving for London on Thursday and are glad of this.

It was also unanimously agreed that Casey should be asked to go to London at the earliest practicable date and to meet you there not later than 15th August. It was the general view of Ministers (with which I agree) that I should suggest to you on behalf of the Cabinet that you use your own discretion as to whether you remain for or during the period of the Conference and if so how long before returning to Australia.

In view of the current Budget discussions in Cabinet and otherwise, Casey would have difficulty in leaving

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DEPARTMENT OF EXTERNAL AFFAIRS.

COPY NUMBER.....

OUTWARD CABLEGRAM.

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Australia before 12th August which would get him to London on 15th August.

Your wishes (expressed in your telegram 768 of 5th August from Washington) on the economic and defence sides are in hand and I will telegraph you at earliest.

Casey had already telegraphed all our relevant diplomatic posts on the lines you suggested in your telegram 768 from Washington.

We have sent the United Kingdom High Commissioner in Canberra our formal acceptance of their invitation to take part in the August 16th conference. We discussed (and decided against) including in this a suggestion that London might not be the best venue for such a conference, by reason of the desirability of Egyptian and Russian attendance. However we would be glad if you would make this point with the United Kingdom Government.

A/G P.M& DEPT
MIN&DEPT EA
MIN&DEPT DEFENCE

8th August, 1956
(Cost £52/2/-)

145

SEC A/Ss MR. LOOMES MR. BOOKER MR. LOVEDAY MR. LANDALE
MR. BILLINGTON

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COPY NO. 28

CABINET MINUTE

Canberra, 7th August, 1956.

Decision No. 329

Submission No. 353 - Nationalisation of the Suez Canal

Cabinet had a detailed discussion on the Suez Canal issue.

It decided:-

- (1) that Australia should accept the invitation by the United Kingdom, France and the United States of America to be represented at the London Conference beginning on 16th August; 144
- (2) that the Prime Minister should return from Washington to London;
- (3) that the Minister for External Affairs should also go to London;
- (4) that the Prime Minister should in particular be available for discussions before the conference with the United Kingdom Government, and should remain there for such time and attend the conference (in addition to the Minister for External Affairs) for such time as in his judgment is necessary.

Cabinet held the view that it was desirable to have both Egypt and Russia represented at the conference, and decided that the Prime Minister should impress on the United Kingdom Government that London should not be pressed as the conference venue if it emerged that another venue would better secure the attendance of those countries and the success of the conference

Cabinet subsequently approved the text of a cable to the Prime Minister indicating that as a matter of general policy, Cabinet strongly

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Long.
15/8/56

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Cabinet Decision No. 329. (Cont.)

supported the actions taken by the United Kingdom Government. The cable referred also to reservations expressed in particular by the Minister for External Affairs and the Minister for Defence concerning any resort to force.

143

Certified true copy.

E. J. Bunting

Acting Secretary to Cabinet.

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COPY NUMBER 46

DEPARTMENT OF EXTERNAL AFFAIRS

Submission No.

FOR CABINET:

NATIONALISATION OF THE SUEZ CANAL

ACT OF EXPROPRIATION:

On 26th July, 1956, the Egyptian Government expropriated the Suez Canal Company unilaterally and without notice.

THE CONCESSIONS:

2. The Company was formed in 1856 to operate two Concessions granted by the Turkish Viceroy of Egypt to de Lesseps and the Company, which he formed. The Concessions run until 1968 and only then, unless they are renewed, does ownership of the Canal pass to the Egyptian Government. This act of expropriation by the Egyptian Government is, therefore, a breach of the Company's Concessions.

142

CONVENTION OF CONSTANTINOPLE, 1888:

3. Free and unfettered use of the Canal is guaranteed by the Suez Canal Convention of 1888 signed by the United Kingdom, Germany, Austria-Hungary, Spain, France, Italy, Netherlands, Russia and Turkey. The Convention is still in force. It imposes a specific obligation on the Egyptian Government to uphold the "free and open" navigation of the Canal in peace and war to every vessel of commerce and of war without discrimination of flag and stipulates that obligations imposed by the Convention shall continue after the expiration of the Company's concessions.

Distribution:

Cabin 1-36: Cabinet

37 (not security)

38 (not security)

info 39: Mr. Brennan

40: Mr. Whitlam

" 41: Mr. Brennan

" 42: Mr. Brennan

" 43: Mr. Brennan

" 44: Mr. Brennan

" 45: Mr. Brennan

" 46: Mr. Brennan

INTERNATIONAL COURT:

4. The act of expropriation by Egypt does not appear to provide sufficient grounds on which to bring the matter

/before the....

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before the International Court. In any case Egypt has not accepted the compulsory jurisdiction of the Court.

UNITED NATIONS:

5. The question could be referred either to the Security Council by any one Member of the Organization or to the General Assembly by a simple majority of the Members or any seven Members of the Security Council.

6. It could be referred to the Security Council under Article 34 of the Charter (any dispute or situation "which might lead to international friction or give rise to a dispute"). In fact, under Article 37 of the Charter the parties to a dispute are obliged to refer it to the Security Council should peaceful means of settlement fail. 141

7. The question could be referred to the Assembly under Article 10 (any questions within the scope of the Charter) or Article 11 (questions relating to the maintenance of international peace and security).

8. Reference to the Security Council is complicated by the factors that :-

- (a) In voting resulting from references under Article 34 of the Charter the parties to the dispute are required to abstain. A difficult and probably protracted procedural debate would therefore be likely;
- (b) It is hard to forecast the Soviet attitude, though this would probably depend to some extent at least on the kind of proposal put to the Council;

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9. While the Security Council is an appropriate body to deal with situations affecting peace and security, it may not be the best forum for working out, if present proposals fail, practical arrangements under which Suez Canal operations might be satisfactorily conducted.

10. Reference to a special session of the Assembly, as distinct from the Security Council, is complicated by the factors that :-

(a) Reference to a special session of the Assembly is a relatively slow process compared with reference to Security Council. The slowness of the special session procedure could be overcome by calling an emergency session. It would, however, probably be difficult to get rapid action in an Assembly of 76 countries without clear objectives agreed between the principal Western Powers and firm intention to secure these without delay. It may be observed that the Assembly might produce the means to a settlement, not necessarily itself work out the terms.

140

(b) It is difficult to assess quickly whether the Western Powers could muster up the necessary majority (two-thirds in all probability) for a satisfactory resolution, but given the conditions just mentioned and the support of India this should be possible.

11. Despite the complications of reference to the United Nations, it is clear that the use of force against Egypt (or even the threat of the use of force) except with the sanction of the

/United Nations would....

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United Nations would involve a breach of the Charter. Article 2 obliges Members as a principle to settle their disputes by peaceful means and to refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state. If Egypt refuses to negotiate, reference to the United Nations prior to the use of force is required by the Charter (Articles 2 (3-4) and Article 37(1)).

LONDON CONFERENCE:

12. The aim of the United Kingdom and French Governments has been to approach the problem outside the United Nations by mustering international opinion against Egypt's action. Following tripartite discussions in London between the United Kingdom, France and the United States, the United Kingdom has issued invitations to a conference in London on 16th August to the following 24 countries :

Parties to the 1888 Convention:

Egypt, France, Italy, Netherlands, Spain, Turkey,
United Kingdom, U.S.S.R.;

Countries interested in the Canal
through ownership of tonnage or
pattern of trade:

Australia, Ceylon, Denmark, Ethiopia, Federal
Republic of Germany, Greece, India, Indonesia,
Iran, Japan, New Zealand, Norway, Pakistan,
Portugal, Sweden, United States of America.

13. The position regarding acceptances is not momentarily clear. It was unofficially reported on August 4th that 16 countries had accepted the invitation. To-day the A.B.C. states that 5 countries have so far officially accepted (Australia, Pakistan, Italy, Portugal and Turkey).

/14. The purpose of....

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14. The purpose of the Conference is to establish operating arrangements under an international system designed to assure the continuity of operations of the Canal as guaranteed by the 1888 Convention, consistently with legitimate Egyptian interests.

EGYPTIAN POSITION.

15. The Egyptians were at first in an ostentatious, almost an aggressive mood, claiming nationalization as a "bold and imaginative act". They seemed confident that shipping companies must continue to use the Canal and that Egypt held all the trump cards. The United Kingdom Note of protest was returned. 138

16. Following limited economic measures by the United Kingdom Nasser in his speeches implied that he expected an attempt to re-occupy the Canal Zone in which event Egypt would fight to the end. The Canal Zone was placed under Egyptian martial law and pilots were warned that failure to report for duty when required would be punishable by court martial with the maximum penalty.

17. Latest reports from Cairo are that Nasser is coupling abusive, anti-Western speeches with assurances that he intends to allow the unhindered passage of shipping through the Canal. The Australian Legation reports, however, that there are some signs of apprehension about the military consequences of the expropriation. On the other hand Egypt is drawing encouragement from United States caution.

18. The only official Egyptian reaction so far to the invitation to attend the 24 nation conference in London has been a moderately worded statement on 3rd August. This gave no hint that Egypt would refuse to attend but Cutler reported on 3rd August

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that the present Egyptian attitude would strongly suggest complete rejection. Reuter's reports of 5th August attribute to "diplomatic observers" in Cairo the view that Nasser is opposed to the idea of an international conference to discuss internationalising the Canal and that he will probably propose an international conference in either Cairo or Geneva at which he would guarantee freedom of navigation through the Canal.

19. Nasser is reported to have been in close consultation with the Soviet, Indian and Russian ^{American} Ambassadors in Cairo.

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SOVIET REACTION.

20. Khrushchev in a statement on 31st July said that Russia supported Egypt's nationalisation of the Canal which had been received with too much excitement in the United Kingdom and France; Russia was directly interested in maintaining freedom of shipping through the Canal and felt that there was no cause for alarm. He thought that "the commonsense, experience and political soberness of the statesmen of Britain and France will allow them to find the correct comprehension of this historic act of Egypt's and make the proper deductions from it".

21. The British Ambassador in Moscow, reporting last week, believed that Khrushchev's statement might be a serious attempt to take the heat out of the situation, and that it carried some hint of the Soviet's comprehension of the West's attitude. The Ambassador had the impression that the Soviet was somewhat worried about the explosive potentialities of the situation. On the other hand Soviet newspapers are reported to have carried yesterday strongly worded editorials supporting Egypt; they attacked the Western proposal to call an international conference, claiming that it was merely an excuse to reimpose imperialist control over the Canal.

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SOUTH AND SOUTH-EAST ASIA.

22. While the South and South-East Asian countries who have been invited to the Conference are so far prepared privately to query Egypt's action, it is not at all certain that they will maintain a public stand against it. The initial reaction of India and Ceylon has been only uncertainly critical, the Indonesian position although not yet officially defined is likely to favour Egypt, and Pakistan, although it has an appreciation of the strategic issues involved, is cautious about the way in which it should express its position. 136

23. In the face of any firm Egyptian opposition, the possibility is that these countries will discard the idea of international control in favour of some arrangement by which Egypt offers guarantees or a reaffirmation of the 1888 Convention obligations, while maintaining its position as the operating as well as the sovereign power. In this way, they would probably hope to rely on bilateral agreements with Nasser to re-insure their own individual interests.

UNITED STATES POSITION.

24. Although Dulles agreed to an international conference on the future of the Canal he did not do so until he had received assurances from the United Kingdom and France that for the present at least there would be no forceful action. United States influence can therefore be expected to be on the side of caution and restraint.

25. United States preliminary thinking has been along the following lines :-

- (a) it would be unwise to present Nasser with an ultimatum to force reversal of the nationalisation decision; Nasser would be unlikely to back down and war would be inevitable;

/(b) the objective....

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- (b) the objective of the conference should be to ensure open, secure and efficient operation of the Canal as an international waterway. The proposed procedure would avoid reference to the United Nations where the matter might become bogged down;
- (c) the United States did not see how the Soviet could object to the conference and assumed Soviet attendance, which should not prevent the conference from setting up a "stable administration having some international element".
- (d) if Egypt defied the conference or rejected its proposals, there would be a "broader basis for other action by interested countries", free of the implications that they were simply supporting the Canal Company owners for reasons unconnected with the preservation of the Canal as an international waterway;
- (e) the United States recognised that nationalisation of the Canal was legally admissable but politically intolerable.

135

26. Assets of the Egyptian Government and the Suez Canal Company in the United States have been placed under Government Control.

AUSTRALIAN INTERESTS.

27. Australia's interests in the Canal are :-

- (a) Proprietary: It is not known whether there are any Australian shareholders, but if there are, their holdings are not expected to amount to any substantial sum;

/(b) Strategic: The....

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- (b) Strategic: The Canal is a vital link between the United Kingdom and Europe on the one hand and South-East Asia and Australia on the other. In a restricted war in the Far East the free use of the Canal would be vital to Australia and its allies. In a global war, the Canal would be vulnerable to strategic bombing and probably would be closed to all traffic;
- (c) Economic: The Canal is important to Australia as the shorter and less expensive route for her trade. It has been estimated that if the Canal were closed to Australia, the annual cost to Australia in increased freight charges via the Cape would be £A.11 million. Australia is also concerned to ensure that freight charges shall not be increased by an arbitrary raising of dues, by incompetent administration or by failure to carry out essential maintenance and improvements;
- (d) Political: Australia is interested in ensuring that the Canal shall not be exploited by any one country or a number of countries for purposes of national or foreign policy. The reasons mentioned in paragraph 28 (d) below also define our political interest.
- 134

AUSTRALIA IN RELATION TO OTHER WESTERN INTERESTS

28. Australia's interests differ from those of the United Kingdom and Western Europe, at the following points:-

- (a) Proprietary: Shares in the Suez Canal Company are owned principally by the United Kingdom Government (believed to be in the vicinity of 44%) and private French investors whereas there are no known

/Australian....

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Australian shareholders. There are also several hundred British and French nationals employed by the Company in Egypt but no Australian citizens;

- (b) Strategic: Approximately 80% of Western Europe's oil supplies pass through the Canal whereas Australia secures her supplies from the Persian Gulf and the U.S.A. and other sources without using the Canal;
- (c) Economic: A greater percentage of Australia's trade (approximately 60%) passes through the Canal than that of the United Kingdom or any Western European country, i.e. a higher percentage of Australia's national income is dependent on trade passing through the Canal.

133

As a freight payer Australia's interests are not identical with those of these predominantly freight earning countries. Higher freight charges due to increased Canal charges or diversion via the Cape would be borne by Australia.

On the other hand oil supplies to Australia from the Persian Gulf do not have to pass through the Canal as they do to Western Europe;

- (d) Political: Looking at the problem in a narrowly compartmental way, Australia is more directly concerned with the countries of South and South East Asia whereas France and the United Kingdom have greater interests in the Mediterranean and the Middle East (e.g. oil, Algeria, Cyprus). Nevertheless, if the present situation is not satisfactorily adjusted the following political results might be expected:

/(i) Nasser's prestige....

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- (i) Nasser's prestige would increase enormously, and he may be prompted to undertake further adventures in other Middle East contexts;
- (ii) The Soviet position in the Middle East would be consolidated;
- (iii) Western influence through the Middle East and North Africa would be seriously reduced if not destroyed;
- (iv) The French position in Algeria may become untenable;
- (v) Other Arab countries would be encouraged to nationalise Western companies (oil);
- (vi) The Baghdad Pact structure would be threatened;
- (vii) Encouragement would be given to unilateral action against Western interests in other parts of the world particularly in South and South East Asia. (Indonesia has already repudiated her Dutch debt).

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WESTERN OPERATIONAL MOVEMENTS

29. United Kingdom: We have not yet received any official reports about the military measures. It would appear that the United Kingdom has so far taken precautionary steps. The first official indication given of any United Kingdom decision on military matters was the announcement on 31st July by the War Office. It said "certain precautionary measures of a military nature are being taken with the object of strengthening our position in Eastern Mediterranean area and our general ability to deal with any situation that may arise". On the same day the

/Admiralty confirmed...

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Admiralty confirmed that "certain naval moves are being ordered". Neither the War Office nor the Admiralty at that stage gave any details.

30. On 4th August the War Office announced that because of the present precautionary measures "to ensure our position in the Eastern Mediterranean" it would be necessary to keep in the Army those regular servicemen whose time would expire in the near future. The Queen has signed a proclamation under which 20,000 reservists will be called up. 131

31. The Admiralty announced on 3rd August that the aircraft carriers, the "Bulwark", "Theseus" and "Ocean" had been ordered to the Mediterranean.

32. France: French forces are also making preparations to increase their strength in the Mediterranean. A French naval task force is reportedly assembling at Toulon. But the French preparations do not appear to have gone as far as those of the United Kingdom. This may be due to the fact that the French have already large forces stationed in North Africa particularly in Algeria. Some indication of the French policy on the military aspects can be gauged by M. Pineau's statement on 2nd August. He said that military measures against Egypt were not being considered at this stage. It would be time enough, he added, to consider the military aspect when the West had seen what happened to their proposal for calling a Conference on the Suez.

THE USE OF MILITARY FORCE

33. Sir Anthony Eden last week sent a message to the Prime Ministers of Australia, Canada, New Zealand and South Africa stating that in the last resort force may have to be used

/to secure....

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13.

to secure Egyptian agreement to some form of international control for the Canal. Mr. Menzies, in a message sent to his Ministers, has rejected the idea of "a threat of force which would not have the support of the United States". The substance of the advice tendered to the Prime Minister in a telegram sent to him last week by the Acting Prime Minister, and the Ministers for Defence and External Affairs, was that there was substantial argument against the use of force.

ECONOMIC SANCTIONS AGAINST EGYPT

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34. Without going into the merits or practicabilities of them, possible courses of action are:

- (a) limited financial action of the kind, e.g. freezing assets, exchange control, restriction on transfers;
- (b) a total trade embargo;
- (c) a partial trade embargo.

35. The practicabilities and possibilities of each of the foregoing are under study.

36. At this stage, it appears:

- (i) that the co-operation of several countries would be needed before action could be taken which would put such pressure on Egypt as to cause any radical change in her attitude. Some relevant considerations in this connection are:

- (a) The United Kingdom, United States, France, Canada, Australia and New Zealand together account only for about 35% of Egypt's imports and only 20% of Egypt's exports;
- (b) The United Kingdom's Egyptian current account /sterling holdings....

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14.

sterling holdings amount to only £21 million.
Egypt holds dollars on current account amount-
ing to £24 million sterling. The freezing of
either or both of these amounts would hamper
Egypt but would not cripple her.

(ii) the effectiveness of any action against Egypt would be
influenced by -

(a) the extent to which other countries, e.g.

the Sino-Soviet bloc or countries could make
up the loss;

(b) the ability of Egypt to take retaliatory action.

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THREE POWER PROPOSALS

37. The following principles have been agreed
upon by the United Kingdom, United States and France as a framework
for the discussions at the London Conference on August, 16th:

"Proposal for the establishment of an International
Authority for the Suez Canal.

1. The United States, France and the United Kingdom are
in agreement that a resolution shall be tabled at the
conference for setting up an International Authority for
the Suez Canal along the following lines:

The purposes and functions of this International
Authority would be:

- (a) to take over the operation of the Suez Canal;
- (b) to ensure its efficient functioning as a free,
open and secure International Waterway in
accordance with the principles of the
Convention of 1888;

/(c) to arrange for....

TOP SECRET

TOP SECRET

COPY NUMBER.....

15.

(c) to arrange for the payment to the Suez Canal Company of ~~fair~~ compensation; and

(d) to ensure to Egypt an equitable return which will take into account all legitimate rights and interests of Egypt.

2. Failing agreement with the Company or with Egypt on either of the last two points above, the matter would be referred to an Arbitral Commission consisting of three members to be appointed by the International Court of Justice.

128

3. The constituent organs of the International Authority would be:

(a) A Council of Administration, the members of which would be nominated by those Powers chiefly interested in navigation and sea-borne commerce through the Canal;

(b) The necessary technical, working and administrative organs.

4. The powers of the International Authority in particular would include:

- (a) The carrying out of all necessary work;
- (b) The determination of tolls, dues and other charges on a just and equitable basis;
- (c) All questions of finance;
- (d) General powers of administration and control."

APPENDICES

38. I attach a set of relevant documents.

(R. G. CASEY)
MINISTER FOR EXTERNAL AFFAIRS

Canberra, A.C.T.
6th August, 1956.

TOP SECRET



FOR THE PRESS

DEPARTMENT OF EXTERNAL AFFAIRS

CANBERRA

PR 78.

27th July, 1956.

NATIONALIZATION OF SUEZ CANAL COMPANY

The Minister for External Affairs, Mr. R. G. Casey, referred today to reports that Egypt had nationalized the Suez Canal Company and had taken over the Canal installations. 127

Mr. Casey said that there was no necessity for him to stress the very great importance of the Canal as an international waterway linking Australia and countries of South and South-East Asia with the United Kingdom and Europe. The Australian Government would view with concern any unilateral or precipitate departure from the terms of solemn understandings of direct concern to maritime states, or any move which might restrict the free use of the Canal by world shipping.

Mr. Casey added that the full implications of the reports were being studied, and that the Australian Government was consulting urgently with the United Kingdom Government.



548.

FOR THE PRESS

DEPARTMENT OF EXTERNAL AFFAIRS

CANBERRA

PR 79.

29th July, 1956.

NATIONALIZATION OF SUEZ CANAL COMPANYStatement by Minister for External Affairs

Commenting further on Egypt's seizure of the Suez Canal Company, the Minister for External Affairs, Mr. R. G. Casey, said today that there were two things involved. One was an agreement establishing the Suez Canal Company with ownership of facilities and rights of levying charges on ships passing through the Canal. The other was the Suez Canal Convention, under which a number of countries, including Egypt, were bound, and by which the right of use of the Suez Canal by the shipping of the world was established. The Convention provides that the Canal "shall always be free and open, in time of war as in time of peace, to every vessel of commerce or of war without distinction of flag".

Mr. Casey said that it was essential to the welfare of all countries east and west of Suez who take part in the trade of the world that this Convention should be faithfully observed. For some countries, including Australia, it is vital, because their economic life depends on the free and unfettered flow of cargoes and ships through the Canal.

Colonel Nasser has, we understand, declared that there will be no interference with shipping, but with or without such a declaration one fact is clear: the Egyptian Government, by seeking to take over the Company, has arbitrarily and unilaterally assumed the function of allowing or denying the use of the Canal and the power to charge whatever it thinks fit upon a large part of the world's commerce.

This power does not pass to Egypt as the result of discussion of Egypt's interests and negotiations about them. It passes by an abrupt termination -- without consultation -- of the concession agreements between Egypt and the Suez Canal Company, the expropriation of the Company, and the establishment of Egyptian armed guards on the Suez Canal itself. The abrupt and high-handed action of the Egyptian Government raises most serious apprehensions about their attitude to the economic and other interests of other countries.

The issues go beyond the protection of the economic, commercial and strategic interests of the nations of the world.

The Egyptian Government announces this act immediately following the decision of two Governments not to lend or give Egypt assistance in a developmental project. This aspect of the situation, which amounts to punitive action against others possessing legitimate rights, adds to the record of similar instances in recent times and must be a cause of profound concern to all countries whose policies are based on respect for essential principles in international relations.

The Australian Government is not a party to the agreements establishing the Suez Canal Company, nor does it have a financial interest in the Company. Australia's interest

/in the

in the situation arises from our dependence upon the right to use the Canal for most of our trade in peace and for our protection in war, and from our concern as a member of the United Nations to ensure that international understandings are observed.

Mr. Casey said that the Australian Government was in urgent communication with the Governments of other interested countries. The Egyptian Government had rejected protests made by the United Kingdom and French Governments. Wider international consultation will no doubt take place to ensure that the economic and other vital interests of all countries are protected. The whole matter was most disturbing and was engaging the urgent attention of the Australian Government.

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FOR THE PRESS

DEPARTMENT OF EXTERNAL AFFAIRS

CANBERRA

PR 80.

2nd August, 1956.

NATIONALIZATION OF SUEZ CANAL COMPANY

The Minister for External Affairs, Mr. R. G. Casey, spoke today about the discussions about the Suez Canal which are taking place in London between Britain, America and France.

Mr. Casey said that it was appropriate that these three powers should be meeting together, and the Australian Government welcomed their initiative. The Australian Government would expect to be included in any wider discussions that took place, which should clearly include the principal nations using the Canal in addition to countries possessing international mercantile marine fleets. 124

Australia had a direct, substantial and vital interest in the Canal. During the past few years, for example, nearly two-thirds of Australia's total imports and exports passed through the Canal. This was equivalent to nearly £A1000 million worth of Australian trade passing through the Canal each year.

Mr. Casey said that while Australia, in terms of goods carried, ranked first among the users of the Canal in this part of the world, other neighbouring countries in Asia had a substantial interest in the unrestricted use of it.

Mr. Casey said that the essential question was whether this international waterway linking two oceans was to be allowed to come under the unfettered control of a single power which might operate it for its own purposes. It would be generally agreed that this should not occur. The Suez Canal was to be regarded as an international public utility and it should be administered as such -- as it had been in the past. Its benefits should be available to all countries, and it should not be used for the particular advantage of any one country.

Mr. Casey said it was already evident that Egypt saw matters quite differently. Colonel Nasser has described the Canal as an Egyptian asset, and he has said that profits from it will be used to finance the Aswan High Dam -- an undertaking the cost of which is estimated at £600 million sterling. Nor is any assurance to be found in the Egyptian stoppage, in defiance of the Suez Canal Convention, of Israeli shipping and ships bound for Israel. This action has been condemned by the Security Council, but Egypt had persisted in banning the passage of Israeli trade through the Canal.

Mr. Casey said that the objective to be aimed at was the maintenance of an international regime which would guarantee free navigation of the Canal at all times to all nations, reasonable and non-discriminatory dues and competent administration. He said it would be intolerable if the trade of Australia and other countries, and the freedom of our vital communications in an emergency, were to become liable at any time to capricious or arbitrary action, or that we should be confronted by the risk that by the decision of a single country one of the world's major highways might be denied to us.

SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

HMC:VA

O. 10180/81/82/
88/89/90

Sent: 28th July, 1956
2200

TO:

Australian High Commission,
LONDON.....1703. (For External)

Australian Embassy,
WASHINGTON.....565. (For Prime Minister)

Australian High Commission,
WELLINGTON.....225.

128

SECRET IMMEDIATE.

Suez Canal.

We have given preliminary thought to handling of this situation. The expropriation opens up the way to several disconcerting possibilities:

- (a) In Nasser's management of the Canal we can expect not merely higher charges but perhaps discriminatory treatment against particular countries; and the Egyptian blockade of Israel does nothing to reassure us, whatever safeguards the 1888 Convention may provide and these appear to be few;
- (b) Even if we could assume Nasser or any successor regime would not flagrantly defy the Convention (providing free and open passage without discrimination) there is room for considerable interference and delay in provision of facilities; and the uncertainty would be intolerable in an emergency (for example in the Far East);
- (c) In the worst case a neutral Egypt in control of Canal facilities might under Communist pressure interfere with allied shipping in the event of war in the Far East;
- (d) The proposal to apply Canal profits to the Aswan Dam already suggests increased dues;
- (e) We cannot be sure that with Egyptian management Canal operations will not suffer, and Russian technical aid would be a prospect;
- (f) If Nasser's coup succeeds, his prestige among the Arab States will soar, giving him encouragement for further political manoeuvres in Middle East and Africa against Western interests in other contexts.

SECRET

DEPARTMENT OF EXTERNAL AFFAIRS 10180/81/82/
88/89/90

CABLEGRAM.

2. In considering what action can be taken with international support the considerations referred to above cannot yet be presented as more than reasonable apprehensions. There is at present no threat to international peace and in considering how the expropriation can be countered we are thrown back upon the question whether Egypt has broken any international covenant. The Concessions seem to have little standing in this respect unless it can be argued that they have become merged in the 1888 Convention - a possibility which is suggested by the working of the Convention - a possibility which is suggested by the wording of the Conventions preamble, although this interpretation may be strained. If merger can be argued it strengthens the complaint against Egypt. There seems little point in speculating about a reference to the International Court since Egypt has not signed the optional clause. There is also little useful precedent to be found in the Abadan dispute, especially since (so far as we know) no treaties exist with Egypt guaranteeing British property rights and rights of British subjects. We understand in any case that the United Kingdom does not favour approach to Court. 122

3. From preliminary study it seems probable that rights and obligations under the Convention have devolved upon Australia in such a way as to make her a direct party. Whatever the position we consider that the political help of India Pakistan and Ceylon should be brought to bear, especially since their tangible interests are clearly involved.

4. While there is no present threat to international peace, the situation is likely to endanger peace and has in fact created friction. It seems therefore open to refer the question to the Security Council. The United Kingdom appears to be reluctant at the moment to make this reference because of doubts about the Soviet attitude. We consider, however, that the desirability of an approach to the Security Council should not be entirely ruled out. Alternatively a special session of the Assembly might serve our purposes better if an approach to United Nations were decided upon. Much would obviously depend upon the degree of support that can be mustered beforehand, and in this connection we note that the United Kingdom are thinking of gathering in support not only of countries whose ships are Canal users but of the substantially larger numbers of countries whose commerce is substantially dependent upon it. We see merit in the consultations outside the United Nations framework which the British appear to be contemplating, and these should help rather than jeopardise a United Nations reference.

5. We are examining whether the objective should be an international regime of administration.

6. In the event of an approach to the Security Council, the question could arise whether countries party to the Convention could vote. We should like United Kingdom comment on this.. We should also appreciate their comment on the following:-

- (a) In estimating the prospect of Egypt discriminating against particular canal users, we have been unable to find any specific injunction in the Convention itself, although Article XII is suggestive. We should be interested to know how the United Kingdom regards

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DEPARTMENT OF EXTERNAL AFFAIRS.

0. 10180/81/82/
CABLEGRAM. 88/89/90

3.

this question. If it could be upheld that the Concessions have been merged in the Convention, Article 6 of the Concession of 1854 and Articles 14 and 15 of the Concession of 1856 would provide safeguards;

- (b) Whether in seizing installations, Egypt has committed a breach of Article 3 of the Convention.

/21

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
A/MIN. & DEPT TRADE (C.)
P.M's.

29th July, 1956.

SECRET

SECRET

::HP

DEPARTMENT OF EXTERNAL AFFAIRS.
"AMENDED COPY"

0.10245-52/65

CABLEGRAM

Sent: 30th July, 1956.
1700

TO:

Australian High Commission,
NEW DELHI.....176.

Australian High Commission,
KARACHI.....267.

Australian High Commission,
COLOMBO.....183. *

REPEATED TO:

Australian Legation,
SAIGON.....Saving 129.

Australian Embassy,
BANGKOK.....Saving 68.

Australian Embassy,
MANILA.....Saving 31.

Australian Embassy,
TOKYO.....Saving 19.

Australian Embassy,
DJAKARTA.....Saving 78.

Australian Embassy,
RANGOON.....Saving 22. *

SECRET.

Suez Canal.

You will have received text of Mr. Casey's press statement of 29th July. Please take earliest opportunity to discuss these developments with Government to which you are accredited. The following are among the points you should make:-

- (i) The de facto control of the Canal by Egypt would place her in the position of being able to dictate to other countries whose trade is dependent upon the use of the Canal without discrimination and at reasonable cost.
- (ii) The method of abrupt and unilateral seizure by Egypt of this international waterway, together with the political background against which seizure has been affected, creates in our minds a real apprehension lest control by Egypt will be exercised arbitrarily and in a discriminatory way. (The Egyptian blockade of Israel provides no comfort under this heading).
- (iii) The avowed purpose of nationalising the Canal is to raise funds for the Aswan High Dam project and to finance other industrial developments in Egypt. Despite the revenue from the Canal (the net profits last year were just over £16.6 million sterling) the strained state of the Egyptian economy cannot

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DEPARTMENT OF EXTERNAL AFFAIRS. 0.10245-52/65

CABLEGRAM.

stand the further strain of meeting the cost of the Aswan High Dam project estimated at 1,350 million dollars together with compensation to the Suez Canal Company shareholders. It could therefore be expected that the dues will be raised. Even in that event it is doubtful whether Egypt could afford to undertake essential maintenance work.

- (iv) Increased costs from any cause would directly and adversely affect all countries East of Suez which are dependent upon the Canal.
- (v) The prospect of Soviet intrusion into management of the Canal, whether it takes the form of the provision of experts or financial aid is not one which any country dependent upon the Canal can take lightly (a point to be used at your discretion).

2. For your own information we are awaiting definition of United Kingdom-French-United States policies to counter the Egyptian action. But meanwhile we think it desirable to bring home to South and South East Asian Governments the fact that at least their economic position is directly involved in the preservation of an international administration of the Canal. If they will discern this they may be less disposed to leave the running to others, and readier to support any proposals aimed at reasonable settlement that might be thrown up by other Governments.

3. We suggest you keep in touch with British Embassy.

Min. & Dept. of External Affairs.
" " " " Defence.
" " " " S. & T.
A/" " " " Trade (Canb.)
Treasurer & Treasury.
P.M.'s.

= Amendment.

Cost - £59.15.10

SECRET

SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

OUTWARD CABLEGRAM.

MB:MB

O. 10286/7.

Sent: 31st July, 1956.
1900

TO:

Australian High Commission,
LONDON.....1718. (for External)

REPEATED TO:

Australian Embassy,
WASHINGTON....577. (Please pass copy to Prime Minister for information)

SECRET.

From Casey.

Suez Canal.

1. We gather from Bandaranaike's statement today and from the United Kingdom High Commission that a maritime conference is under three-Power discussion, but it is not yet known what composition and agenda is proposed.

2. Even at this early stage we consider it important to look to Australian interests in any regime of control which might emerge from such a conference. From this as well as from the international political point of view, we would be opposed to arrangements being drafted by shipping countries (e.g. Europeans and United States) alone. Please press this point of view on the United Kingdom before definitive proposals are reached for the sponsoring of a conference and try to give us prior advice of their intentions. Subject to what we learn about its terms of reference, we would expect to participate.

3. There would be a strong case for participation of South and South-East Asian countries having substantial trade interests both for this and for political reasons, and it would be in our interests to concert with them on a number of issues.

For your own information, we may wish to take steps ourselves to develop a concerted view among the users of the Canal - South and South-East Asian countries, ourselves, New Zealand, and, possibly, Japan.

4. As regards terms of reference, we consider that these should include the question of the control of Canal charges. This is a subject which is likely to be of lesser importance to shipowning States, but to Asian countries and ourselves charges have a very real incidence.

Cost £52/5/-

MIN. & DEPT. E.A.
A/MIN. & DEPT. TRADE
P.M.'S.

TREASURER & TREASURY
MIN. & DEPT. DEFENCE.
MIN. & DEPT. S. & T.
1st August, 1956.

SECRET

CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

MB:ABK.

I. 10191.

Dated: 3rd August, 1956.
0026.

FROM:

Rec'd: 3rd August, 1956.
1115.

Australian High Commission,
LONDON.

2133. CONFIDENTIAL. IMMEDIATE.

47

Addressed Canberra 2133, repeated Washington 78.

From McCarthy.

Suez Canal.

Home called all Commonwealth High Commissioners together tonight and handed us a copy of the communique from the Three Power Discussions which is to be released forthwith. Full text follows in clear in my immediately succeeding telegram (not repeated to Washington).

2. A message is being sent by Eden to all Commonwealth Prime Ministers expressing hope for their support. In our case Home has undertaken that it will be repeated to the Acting Prime Minister.

A/MIN. & DEPT. E.A. (T/T TO MINS OFFICE)
MIN. & DEPT. DEFENCE. DEFENCE)
A/MIN. & DEPT. TRADE (C)
MIN. & DEPT. S.&T.
TREASURER & TREASURY.
P.M.'S.

3rd August, 1956.

CONFIDENTIAL

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM.

SHA.

1.10197.

FROM:

Dated: 3rd August, 1956.
0035
Recd.: 3rd August, 1956.
1158

Australian High Commission,
LONDON.

2134.

UNCLASSIFIED.

IMMEDIATE.

146

From McCarthy.

My immediately preceding telegram.

Suez Canal.

Following is the text of the statement. Begins:

"The Governments of France, the United Kingdom and the United States join in the following statement:

1. They have taken note of the recent action of the Government of Egypt whereby it attempts to nationalise and take over the assets and the responsibilities of the Universal Suez Canal Company. This Company was organised in Egypt in 1856 under a franchise to build the Suez Canal and operate it until 1968. The Universal Suez Canal Company has always had an international character in terms of its shareholders, directors and operating personnel, and in terms of its responsibility to assure the efficient functioning as in international waterway of the Suez Canal. In 1888 all the great powers, then principally concerned with the international character of the Canal and its free open and secure use without discrimination, joined in the Treaty and Convention of Constantinople. This provided for the benefit of all the world that the international character of the Canal would be perpetuated for all time irrespective of the expiration of the concession of the Universal Suez Canal Company. Egypt as recently as October 1954 recognised that the Suez Canal is "a waterway economically, commercially and strategically of international importance" and renewed its determination to uphold the Convention of 1888.

2. They do not question the right of Egypt to enjoy and exercise all the powers of a fully sovereign and independent nation, including the generally recognised right under appropriate conditions to nationalise assets not impressed with an international interest which are subject to its political authority. But the present action involves far more than a simple act of nationalisation. It involves the arbitrary and unilateral seizure by one nation of an international agency which has the responsibility to maintain and to operate the Suez Canal so that all the signatories to, and beneficiaries of, the Treaty of 1888 can effectively enjoy the use of an international waterway upon which the economy, commerce and security of much of the world depends. This seizure is the more serious in its implications because it avowedly was made for the purpose of enabling the Government of Egypt to make the Canal serve the purely national purposes of the Egyptian Government rather than the international purpose established by the Convention of 1888. Furthermore, they deplore the fact that as an incident to its seizure the Egyptian Government has had recourse to what amounts to a denial of fundamental human rights by compelling employees of the Suez Canal Company to continue to work under threat of imprisonment.

DEPARTMENT OF EXTERNAL AFFAIRS.

CABLEGRAM 10197.

- 2 -

3. They consider that the action taken by the Government of Egypt, having regard to all the attendant circumstances, threatens the freedom and security of the Canal as guaranteed by the Convention of 1888. This makes it necessary that steps be taken to ensure that the parties to that Convention and all other nations entitled to enjoy its benefits shall in fact be assured of such benefits. 115

4. They consider that steps should be taken to establish operating arrangements under an international system designed to assure the continuity of operation of the Canal as guaranteed by the Convention of 29th October, 1888, consistently with legitimate Egyptian interests.

5. To this end they propose that a conference should promptly be held of the parties to the Convention and other nations largely concerned with the use of the Canal. The invitations to such a conference to be held in London on 16th August, 1956, will be extended by the Government of the United Kingdom to the Governments named in the Annex to this statement. The Governments of France and the United States are ready to take part in the Conference."

Ends.

Annex follows:

Parties to the Convention of 1888 - Egypt, France, Italy, Netherlands, Spain, Turkey, United Kingdom, U.S.S.R., Other nations largely concerned in the use of the Canal either through ownership of tonnage or the pattern of trade - Australia, Ceylon, Denmark, Ethiopia, Federal Republic of Germany, Greece, India, Indonesia, Iran, Japan, New Zealand, Norway, Pakistan, Portugal, Sweden, and the United States.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
MIN. & DEPT. S. & T.
A/MIN. & DEPT. TRADE
TREAS. & TREASURY
P.M.'s

3rd August, 1956.

CONFIDENTIAL

SHA:MB

CABLEGRAM.

I. 10249.

Dated: 4th August, 1956.

0055

FROM:

Rec'd: 4th August, 1956.
1145Australian High Commission,
LONDON.2152. CONFIDENTIAL.

From External.

Suez Canal.

Following impressions of plans for (or rather at this stage tentative thinking about) forthcoming conference emerged from discussions with officials of the Foreign Office Department chiefly concerned (African) and of Commonwealth Relations Office.

(a) Level of representation and size of delegations. As reported in my telegram 2145 to Tange.

(b) Agenda. Foreign Office hope to send out to participants early next week their provisional ideas about the proposed international control regime and about its presentation at the conference. I asked whether they had control machinery already in detailed draft but was told it was still only in outline. (Apparently Dulles and Pineau had accepted United Kingdom ideas in principle but had wanted to discuss it with their Governments and promised to convey any comments this week end.)

(c) Choice of participants. All other than signatories of 1888 convention were chosen on basis of canal usage or tonnage ownership - including Ethiopia, whose inclusion was sought by France.

(d) Scope of Conference. I asked was the conference expected to stop short at drawing up and approving regime of international control and presenting it to Nasser or would it be encouraged before adjourning to consider possible further steps that might be taken if Nasser refused to accept any form of international control. This was quite uncertain, it would depend, among other things, whether Nasser - and also Soviet Russia - agreed to participate. There is still no official word from Cairo.

(e) Duration of Conference. Intention is to try to limit it to one week at the most. (Press tonight reports Nasser is to be given deadline for acceptance or refusal).

(f) Explanation to participants. The three foreign Ministers had agreed to share briefing of participants before the conference opens. From my recollection United Kingdom will look after Commonwealth and Scandinavia, United States "clients" are Egypt, Greece, Japan, Italy and Iran, France will take care of Germany, Netherlands, Turkey, Portugal and Ethiopia. I asked who was responsible for indoctrinating Indonesia and was given to understand that all three had doubted whether it was worth trying. I thought it worth hinting that they might consider letting Australia take this on, officials reacted not unfavourably.

MIN. & DEPT. E.A.
A/MIN. & DEPT. TRADE (CANB.)**CONFIDENTIAL**MIN. & DEPT. DEFENCE.
P.M.'S. 4th August, 1956

114

CONFIDENTIAL

SA:ABK.

OUTWARD CABLEGRAM 0614/8/18/9/50/1/2/3/4/5/.

Sent: 4th August, 1956.
2045.

TO:

Australian High Commission,
NEW DELHI...182.Australian High Commission,
KARACHI...274.Australian High Commission,
COLOMBO...189.Australian Embassy,
TOKYO...235.Australian Embassy,
DJAKARTA...369.Australian Legation,
CAIRO...140.

REPEATED:

Australian High Commission,
LONDON...1762.Australian Embassy,
PARIS...159.Australian Embassy,
THE HAGUE...108.Australian Legation,
ROME...241.Australian Embassy,
BONN...268.CONFIDENTIAL.

1. Australia is one of twenty-four countries invited to Suez Canal Conference, the purpose of which is "to establish operating arrangements under an international system designed to assure the continuity of operation of the Canal as guaranteed by the Convention of 1888 consistently with legitimate Egyptian interests".

2. We have yet to accept formally the invitation, but acceptance may be assumed.

3. For your own background in local discussion, the form and purpose of the conference are in line with the main objectives which we have been advocating with Governments with whom we have been consulting:

(a) that conference should include countries with a substantial interest in use of the Canal as well as ship-owning States;

(b) that the conference should deal with the practical problems of the future and establish firmly the principle of internationalization.

...2.

CONFIDENTIAL

CONFIDENTIAL

OUTWARD CABLEGRAM.
2. O. 10545/6/7/8/9/50/1/2/3/4/5/.

4. In discussing Australia's vital interest in the continued assurance of a regime which will not discriminate or levy extortionate charges, the following are relevant points:

- (1) Approximately 60% of Australia's total trade passes through the Canal;
- (2) In total value, this trade is greater than that of any other country east of the Suez.
- (3) We, and other countries in this area with comparable economies, have a vital interest in the system of establishing charges and in their level since the incidence falls primarily upon our type of economy.
- (4) In an emergency in the Far East, the Canal is vital communication link.
- (5) The functions assumed by Egypt are inconsistent with these vital Australian interests.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE.
A/MIN. & DEPT. TRADE (C)
TREASURER & TREASURY.
MIN. & DEPT. S&T.
P.M.'S.

(Cost £237/1/1)

6th August, 1956.

CONFIDENTIAL

SECRET

OUTWARD CABLEGRAM.

SHA:MB

O. 10535 to 10544.

Sent: 4th August, 1956.
2045

111

TO:

Australian High Commission,
KARACHI.....273.Australian High Commission,
NEW DELHI.....181.Australian High Commission,
COLOMBO.....188.Australian Embassy,
DJAKARTA.....368.

REPEATED TO:

Australian High Commission,
LONDON.....1761. (for External)Australian Embassy,
TOKYO.....234.Australian Embassy,
WASHINGTON....Saving 143.Australian Embassy,
PARIS.....Saving 43.Australian Embassy,
THE HAGUE....Saving 20.Australian Embassy,
BONN.....Saving 9.Australian Legation,
ROME.....Saving 11.SECRET.Suez Canal.

1. Present indications leave us doubtful of support likely to be received from the South and South-East Asian countries invited to the London Conference. The initial reaction of India and Ceylon has been only uncertainly critical, Indonesia seems to support Nasser, and Pakistan, although it has a certain appreciation of the strategic issues involved, is cautious about the way in which it should express its position.

2. The acid test for these countries will come -

- (a) if Egypt refuses to attend the conference; or
- (b) whether or not Egypt attends, if action is proposed against her.

It is to be feared that in the face of any firm Egyptian opposition,

SECRET

2./.....

OUTWARD CABLEGRAM. 10535 to 10544.

Asian countries may be content with some arrangement by which Egypt offers guarantee or a reaffirmation of the existing Convention obligations while maintaining its position as the operating as well as the sovereign power. They may be content to rely upon bilateral agreements or understandings with Nasser to re-insure their own individual interests.

3. In our consultations with these countries we should urge the trade interest and the defence and communications interest as strongly as possible, taking account of the fact that their recognition of these interests will vary from country to country and that basic sympathies including nationalism will come into play. This suggests that your efforts should concentrate upon the following (rather than on discussion about nationalization as such):

- (i) urging acceptances of the invitation of the London conference;
- (ii) urging them to use their good offices with Egypt towards obtaining Egyptian acceptance of the invitation.
- (iii) stressing that international administration is the only effective assurance that the principle of free passage without discrimination at all times and in all circumstances will be observed (and physical development of the Canals capacity maintained).
- (iv) stressing the determination of United Kingdom, France and the United States to find a satisfactory solution;
- (v) (at your discretion) drawing attention to the potentialities if this conference fails.

It is our view that the purposes of the conference deserve wide international support and the proposal can be represented as one offering the Egyptian Government every opportunity to pursue its legitimate national interests in the Canal.

Cost £156/16/8.

MIN. & DEPT. E.A.

MIN. & DEPT. DEFENCE.

TREASURER AND TREASURY.

MIN. & DEPT. S. & T.

P.M.'S.

MIN. & DEPT. TRADE (C)

6th August, 1956.

+ 2 Top Limit
(3 Minutes to P.M.)
P.M. to 3 Minutes)

EXTERNAL AFFAIRS.

163/4/7/3/3.

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Let all the Justices that have arisen
a while to give a new attitude
to each, firm or suggested. e.g.

- (a) Status quo or regimé?
- (b) Is it a function or political position as we see it
- (c) Then should the emphasis be placed - on
possible breach or on keeping them
as international outposts.

Wm's

F. H.

(a) strategic

108

The Canal is a vital link between UK and Europe on the one hand and S.E.A and Australia on the other. In a restricted war in the Far East the free use of it would be vital to Australia and its allies. In global war the Canal would be vulnerable to strategic bombing and probably would be closed to all traffic.

Top Secret

ROUGH DRAFT

What has occurred?

Nasser has nationalized the Suez Canal, seized the Canal installations, frozen the Canal's assets and forced Canal employees, including foreign nations, to continue working.

What are Australia's interests?

Australia's interests ~~fall under three~~

headings:-

- The Canal is a*
(a) strategic: vital line of communication ~~the importance~~
between U.K., Europe and Australia
~~of which is diminishing with modern techniques of war.~~

In a global war ~~its strategic importance to Australia~~

it would probably not be
~~would be at a minimum but its free and unrestricted~~

usage would be
use in time of a restricted war in the Far East would

be important;

- The Canal is important to Australia*
(b) economic: ~~Australia is interested in ensuring that~~

~~her trade passes along the shorter and less expensive~~

for her trade;
~~route through the Canal;~~

- (c) political: Australia is interested in ensuring that

the Canal shall not be exploited by any one country

or a number of countries for purposes of national

or foreign policy.

Are Australia's interests identical with those of U.K., U.S.A. and France:

Australia's interests are not identical.

They differ at the following points:

(a) strategic:

- (i) in a global war the Canal would be of less value to Australia than to the United Kingdom and France whose war potential would be ~~increased~~ ^{reduced} if their oil supplies could ^{not} come via the Canal. Australia would be able to secure her supplies from the Persian Gulf and the U.S.A. without using the Canal;
- (ii) Australia's war potential would be enhanced if other supplies could be shipped via the Canal although this may be offset by increasing reliance on United States resources;

(b) economic:

- (i) Australia's interest transcends that of all three countries in that more of her trade passes through the Canal than ^{that of the} United Kingdom, France and the U.S.A., i.e. a higher percentage ^{Australia's} of her national income is dependent on trade passing through the Canal;
- (ii) as a freight payer Australia's interests are not identical with those of these freight-earning countries. Higher freight rates due

III On the other oil supplies
to Australia from the
Persian gulf do not
have to pass the Council

105

to increased Canal charges or diversion via the Cape would be borne by Australia alone.

- (b) Political: Australia is more directly concerned politically with South and South East Asiatic countries than these three countries. On the other hand France and the United Kingdom have greater interests in the Middle East (e.g. oil, Algeria, Cyprus). Our political interests are not therefore identical.

Have Australia's interests been adversely affected and if not what do we fear?

No direct Australian interests have been affected. As far as we are aware there are no Australian shareholders and no Australian citizens working for the Suez Canal Company. Shipping has not been interfered with, apart from the continuing blockade against shipments to and from Israel and the consequent loss of trade to Australia believed to be insignificant.

If, as it appears, Australia's interests have not been affected, what do we fear. There are a number of disconcerting apprehensions:

(i) to (vi) - take in cable 010180 of 28.7.56

Is this a juridical or political problem?

For the issue to constitute a juridical problem there must be an infringement of a legal right. \

The only legal rights so far infringed are those of the Suez Canal Company and the rights of the employees through whom rights under international law devolve on the countries of which they are citizens. It might be argued that there has been an infringement of international legal rights as contained in the 1888 Convention. Article III provides that the Canal installations shall be respected, Article IV that there shall be no act of hostility committed in the Canal and its ports in time of war and Article XII that no territorial or commercial advantage shall be sought ~~in~~ ^{on} any international arrangements. The Egyptian Government is bound by Article IX to uphold the Convention but any argument based on these provisions that Egypt by her act of expropriation has offended the Convention is thin; similarly any argument based on the thesis that the 1854 and 1856 Concessions to the Company can be read into the Convention and that by abrogating these Concessions the Convention has been infringed. In any event it may be difficult to argue that Australia has acquired any legal rights under the Convention.

as far as we are aware
It would appear therefore/that no

Australian rights, either international or private, have been infringed. The issue ^{therefore} is not whether the Suez Canal Company has been wrongfully expropriated and to what redress it is ~~therefore~~ entitled at law, but whether an international waterway is to be allowed to fall under unfettered control of a single government. The problem is therefore political.

Where should the emphasis be placed: on a possible breach or on keeping open an international waterway?

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If we concern ourselves only with a possible breach of the 1888 Convention by Egypt, we presumably envisage sole control by Egypt subject to an undertaking by Egypt that she shall commit no breach of the principles embodied in the Convention. The basic thesis, however, is that we cannot rely on Egypt exercising impartial control or for that matter impartial control by any single government. The emphasis should therefore be on keeping open an international waterway.

What is our immediate objective and how can this be accomplished?

*This is
being undertaken
by WNTB.*

Our immediate objective is to ensure that in formulating a solution of this problem, full account of Australia's interests shall be taken and that these interests shall be safeguarded. At the moment the initiative is in the hands of the United Kingdom, France and the U.S.A. where decisions are being made of considerable consequence to our interests. We should endeavour as soon as possible to ensure that our views are being represented on the spot at top level. As Mr. McEwen is now in Europe, he might be asked to attend in London. (Our request to participate in the current talks might give rise of a flood of similar requests from other countries but our participation could be justified on the grounds of our greater interest as a major

~~freight-paying country~~).

Can there be a return to the status quo ante?

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On the short term view an immediate return to the status quo ante is desirable, but Nasser cannot afford politically ~~not~~ to agree to this voluntarily. In any event we would eventually have had to face up to this problem, ^{of sole control by Egypt} which in the normal course would have arisen in 1968. In our view there can be no return to the status quo ante.

If not, what new regime do we want?

We need a regime that safeguards unfettered use of the Canal at all times, forever. The guarantees we seek, therefore are :-

- (a) impartial control of the Canal; and
- (b) *reasonable and non-discriminatory and*
- (c) efficient and economic administration.

The ideal regime would be one which ensures:

- (a) that the territory through which the canal passes and which is essential to the operation of the Canal shall be international - and international zone;
- (b) that control of the Canal does not fall into the hands of any one country - ~~an~~ international control;
- (c) that international control shall be predominantly non-governmental.

In terms of practical politics we may have to be satisfied with something less. 17.

What would be the functions of the new regime?

/00

The functions of the new regime would be to keep the Canal and its operation international and completely neutral, to ensure unfettered use by all countries at all times and to administer the Canal efficiently and economically.

What support could be mustered for the new regime?

The type of regime envisaged is an ideal and therefore looking at the problem in a vacuum it should, on the grounds of self-interest, command the support of all countries other than Egypt. The cold fact however is that the "anti-imperialists", particularly ~~in~~ the Arab countries and to a lesser extent Asian countries, are likely to regard any lessening of Egypt's present de facto control ^{or ownership of the installations} as a retrograde step in their fight for "emancipation". If therefore we wish to enlist their support we shall have to "window-dress" the proposed regime and "sell" it to them. This should prove worthwhile in Lebanon, Jordan and Saudi Arabia. In approaching Asian countries, particularly India, we should couple with this argument that of self-interest.

(We should
be down on this).

Should Russia's support be enlisted and would she give it?

Since the arms deal with Egypt the Soviet has clearly shown that she intends to concern herself with, and expects to be consulted on, Middle Eastern affairs. Western Powers

have tacitly recognized the Soviet's intrusion, e.g. by enlisting Russia's support for the Hammarskjöld mission. Moreover Russia could argue that she has a direct interest in any change in the Canal's regime by virtue of her signature of the 1888 Convention. Tactically it would be preferable to have Russia on our side.

We should therefore seek Russia's support.

Khrushchev's "commonsense, experience and political ^{SOBERNESS} ~~(p. 15. of draft)~~" ^{might be} speech of 31st July, interpreted as a warning to the West not to resort to force but it can also be interpreted as staking a Russian claim to be consulted in any negotiations affecting the Canal. This ^{and} Russia's continuing interest in Middle Eastern affairs and in the Aswan project, justify a reasonable expectancy that the Soviet would agree to participate, at least, in talks on the Canal.

It is doubtful however, whether Russia will support the type of regime we want for it would be inconsistent with Russia's espousal of Arab causes to countenance any restriction of Egyptian territorial sovereign rights. At best all we can hope for is ^{Russia's} support on the question of international control but the quid pro quo may be expensive, e.g. Egypt to retain ownership of all installations and to receive at the worst total net profits ^{from} ~~for~~ the Canal.

What support can be expected among neutral countries?

As in the case of the Soviet, these countries generally will probably not support any move to internationalise any part of Egyptian territory essential to the operation of the Canal.

Reactions so far have: *then*

India
Pakistan
Ceylon
Indonesia
etc.

(then to be summarized)

Should Australia take further action to enlist the support of the neutrals?

Yes

South and South East Asia are

our special sphere of interest and we share with these countries

a common interest in the free and open use of the Canal and in

moderate dues. Our political attitude towards Egypt, however,

differs. Whilst therefore we may have similar economic interests

and can justify our approach to him on these grounds,
in this matter, we should canvass those interests only and avoid

any political overtones.

When and how should the approach be made to Egypt?

As soon as possible. ~~Nasser~~ Nasser

is scheduled to visit Moscow on 12th August and it would be

valuable to co-opt the Russians before they have had an opportunity

to agree on a firm line with Nasser.

Russia's showing over the Aswan project

is an indication that she is not prepared to dance to Nasser's

tune whenever he calls it. Furthermore we believe that the

Russians are not prepared to risk a global war at this stage and

if they can be convinced of the depth of Western feeling, they can

probably be relied upon to exert some moderating influence on

Nasser to convince him of the enormity of his action and make

him more amenable to meet Canal users and discuss guarantees of

free and open use of the Canal.

For these reasons the Russians,
if they cannot be co-opted before 12th August, should at least
be given a clear and firm indication of the strength and
possibly the depth of Western feeling before that date.

97

The approach to Egypt should be made on
as wide a basis as possible with a view to avoiding any suggestion
of Western "imperialism" and to convince ~~him~~ ^{Nasser} of wide international
concern.

How can Egypt be induced to accept the new regime?

The regime contemplated affects ownership
and control of the Canal and we must proceed ^{from the point} ~~on~~ the basis
that Egypt is now in de facto possession of the Canal and its
installations (but not overseas assets) and in de facto control.

With regard to ownership, it would be
difficult to contest Egypt's right to nationalise (subject to
adequate compensation being paid). If ownership is to be made
international, Egypt will have to be compensated and her price
^{will be} ~~is likely to be~~ high. A number of financial factors will have
to be examined:

- (a) compensation by Egypt to shareholders;
- (b) compensation to Egypt in return for internationalising
the Canal;

(c) immediate maintenance work and improvements to

the Canal believed to have been estimated by

the Company at £200 million;

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(d) distribution of profits.

If the international regime is to be established without force,

it will have to be made financially attractive to Egypt, ~~and~~ *st*

will have a greater chance of being accepted if construction

of the Aswan project is made possible.

On the question of control it is essential

that Nasser be impressed by the depth of international concern.

A strong firm front on as wide a basis as possible is therefore

needed and the indications are that this is developing. If this

front is sufficiently maintained, it should prove possible to

make Egypt amenable to negotiation. Egypt can be expected to

press for a greater share in the control of the Canal than she

has hitherto enjoyed and this will probably have to be conceded.

Egypt will also press for extremely attractive financial terms

and some thought will have to be given as to how these can be

kept moderate.

If Egypt will not accept the new regime, what action can be taken?

At this stage a number of courses of action

could be taken or a ^{combination} ~~contin~~ ~~coordination~~ of them:

- (a) naval blockade of Egypt;
- (b) economic blockade of Egypt;
- (c) reference to the United Nations.

(Analysis of these points to be made)

The ultimate alternative would be
resort to force.

95-

Mr. Bellingham
File
wavy

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163/4/7/3/3.

COURSES OF ACTION OPEN TO WESTERN POWERS.

It is possibly too early to judge whether Egypt intends to respect the provisions of the International Convention of 1888. Her unilateral and precipitate action in expropriating the Suez Canal Company in breach of the concessions granted has aroused the suspicions of all those powers with vital interests in the security and free use of the Canal. These nations have every right to seek from Egypt solemn guarantees that there will in no circumstances (as envisaged by the international convention) be interference with the free use of the Canal. Furthermore, it is my opinion that these nations have a vested interest in the operation of the Canal; it would be of little value to obtain a guarantee of the free use of the Canal if the passage of ships were liable to be interrupted by administrative and technical inefficiency.

The United Kingdom, United States and France are at this moment holding high level discussions in London. I have requested that the Australians be kept informed.

The courses of action open to the Western Powers are as follows :-

- (a) International Authority. The best solution in my opinion would be for all interested nations,

W. G. L. G. L. G.

including Egypt, to agree to the establishment of an international authority to take over the functions of the Suez Canal Company. At the same time the provisions of the Convention of 1888 guaranteeing the free use of the Canal would have to be reaffirmed by all interested nations, *again* including Egypt. 93

However, it seems highly unlikely that Egypt in its present exhilarated mood will be prepared to adhere to any agreement which restricts its absolute jurisdiction over the Canal.

(b) Reference to the Security Council or United Nations

Assembly. While there is no present threat to international peace, the situation is likely to endanger peace and has in fact created friction. It seems therefore open to refer the question to the Security Council. However, it is doubtful whether the Soviet Union would agree to its inscription on the Agenda and even if it did, it would almost certainly veto any resolutions condemning Egypt's action. Alternatively, a special session of the Assembly might serve our purposes if an approach to the United Nations were

decided upon. Much would depend upon the degree of support that can be mustered beforehand and in this connection we note that the United Kingdom are thinking of enlisting the support not only of countries whose ships are Canal users, but of the substantially larger number of countries whose commerce is substantially dependent upon it.

- (c) Use of Force. If Egypt remains intransigent and if it is considered that United Nations action would not achieve any positive results the Western Powers, and I mean the United Kingdom, the United States and France, may decide to use force in order to seize and occupy the Canal Zone. Any such action would in all probability be regarded as a violation of the United Nations Charter and would therefore have far-reaching repercussions. I have attached as
- appendix a background paper on the political implications involved. These will have to be offset against the vital importance of keeping the canal open to shipping.

POSITION OF AUSTRALIA

I am not asking you at this stage to endorse any of these courses of action as, in my view, it would be highly undesirable to commit the Australian Government

before we know the results of the discussions in London. 91

The purpose of this paper is to describe the situation

The views I have expressed publicly (statements attached) and
as I see it. However, I would like your approval for my [^] [^]

proposal that Australia should keep in the closest

possible touch with the United Kingdom, United States and

France and should participate in wider discussions with

other interested nations, should these be arranged.

26
26/6/56



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Copy No.

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FOR CABINET

NATIONALISATION OF THE SUEZ CANAL

ACT OF EXPROPRIATION:

On 26th July, 1956, the Egyptian Government expropriated the Suez Canal Company unilaterally and without notice.

THE CONCESSIONS:

2. The Company was formed in 1856 to operate two Concessions granted by the Turkish Viceroy of Egypt to de Lesseps and the Company, which he formed. The Concessions run until 1968 and only then, unless they are renewed, does ownership of the Canal pass to the Egyptian Government. This act of expropriation by the Egyptian Government is, therefore, a breach of the Company's Concessions.

CONVENTION OF CONSTANTINOPLE, 1888:

3. Free and unfettered use of the Canal is guaranteed by the Suez Canal Convention of 1888 signed by the United Kingdom, Germany, Austria-Hungary, Spain, France, Italy, Netherlands, Russia and Turkey. The Convention is still in force. It imposes a specific obligation on the Egyptian Government to uphold the "free and open" navigation of the Canal in peace and war to every vessel of commerce and of war without discrimination of flag and stipulates that obligations imposed by the Convention shall continue after the expiration of the Company's concessions.

INTERNATIONAL COURT:

4. The act of expropriation by Egypt does not appear to provide sufficient grounds on which to bring the matter before the International Court. In any case Egypt has not accepted the compulsory jurisdiction of the Court.

UNITED NATIONS:

5. The question could be referred either to the Security Council by any one Member of the Organization or to the General Assembly by a simple majority of the Members or any seven Members of the Security Council.

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6. It could be referred to the Security Council under Article 34 of the Charter (any dispute or situation "which might lead to international friction or give rise to a dispute"). In fact, under Article 37 of the Charter the parties to a dispute are obliged to refer it to the Security Council should peaceful means of settlement fail. 89

7. The question could be referred to the Assembly under Article 10 (any questions within the scope of the Charter) or Article 11 (questions relating to the maintenance of international peace and security).

8. Reference to the Security Council is complicated by the factors that:-

- (a) In voting resulting from references under Article 34 of the Charter the parties to the dispute are required to abstain. A difficult and probably protracted procedural debate would therefore be likely;
- (b) It is hard to forecast the Soviet attitude, though this would probably depend to some extent at least on the kind of proposal put to the Council;

9. While the Security Council is an appropriate body to deal with situations affecting peace and security, it may not be the best forum for working out, if present proposals fail, practical arrangements under which Suez Canal operations might be satisfactorily conducted.

10. Reference to a special session of the Assembly, as distinct from the Security Council, is complicated by the factors that:-

- (a) Reference to a special session of the Assembly is a relatively slow process compared with reference to Security Council. The slowness of the special session procedure could be overcome by calling an emergency session. It would, however, probably be difficult to get rapid action in an Assembly of 76 countries without clear objectives agreed between the principal Western Powers and firm intention to secure these without delay. It may be observed that the Assembly might produce the means to a settlement, not necessarily itself work out the terms.

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- (b) It is difficult to assess quickly whether the Western Powers could muster up the necessary majority (two-thirds in all probability) for a satisfactory resolution, but given the conditions just mentioned and the support of India this should be possible.

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11. Despite the complications of reference to the United Nations, it is clear that the use of force against Egypt (or even the threat of the use of force) except with the sanction of the United Nations would involve a breach of the Charter. Article 2 obliges Members as a principle to settle their disputes by peaceful means and to refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state. If Egypt refuses to negotiate, reference to the United Nations prior to the use of force is required by the Charter (Articles 2 (3-4) and Article 37(1)).

LONDON CONFERENCE:

12. The aim of the United Kingdom and French Governments has been to approach the problem outside the United Nations by mustering international opinion against Egypt's action. Following tripartite discussions in London between the United Kingdom, France and the United States, the United Kingdom has issued invitations to a conference in London on 16th August to the following 24 countries:

Parties to the 1888 Convention:

Egypt, France, Italy, Netherlands, Spain,
Turkey, United Kingdom, U.S.S.R.

Countries interested in the Canal
through ownership of tonnage or
pattern of trade:

Australia, Ceylon, Denmark, Ethiopia, Federal
Republic of Germany, Greece, India, Indonesia,
Iran, Japan, New Zealand, Norway, Pakistan,
Portugal, Sweden, United States of America.

13. The position regarding acceptances is not momentarily clear. It was unofficially reported on August 4th that 16 countries had accepted the invitation. To-day the A.B.C. states that 5 countries have so far officially accepted, (Australia, Pakistan, Italy, Portugal and Turkey).

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14. The purpose of the Conference is to establish operating arrangements under an international system designed to assure the continuity of operations of the Canal as guaranteed by the 1888 Convention, consistently with legitimate Egyptian interests. p7

EGYPTIAN POSITION

15. The Egyptians were at first in an ostentatious, almost an aggressive mood, claiming nationalization as a "bold and imaginative act". They seemed confident that shipping companies must continue to use the Canal and that Egypt held all the trump cards. The United Kingdom Note of protest was returned.

16. Following limited economic measures by the United Kingdom Nasser in his speeches implied that he expected an attempt to re-occupy the Canal Zone in which event Egypt would fight to the end. The Canal Zone was placed under Egyptian martial law and pilots were warned that failure to report for duty when required would be punishable by court martial with the maximum penalty.

17. Latest reports from Cairo are that Nasser is coupling abusive, anti-Western speeches with assurances that he intends to allow the unhindered passage of shipping through the Canal. The Australian Legation reports, however, that there are some signs of apprehension about the military consequences of the expropriation. On the other hand Egypt is drawing encouragement from United States caution.

18. The only official Egyptian reaction so far to the invitation to attend the 24 nation conference in London has been a moderately worded statement on 3rd August. This gave no hint that Egypt would refuse to attend but Cutler reported on 3rd August that the present Egyptian attitude would strongly suggest complete rejection. Reuter's reports of 5th August attribute to "diplomatic observers" in Cairo the view that Nasser is opposed to the idea of an international conference to discuss internationalising the Canal and that he will probably propose an international conference in either Cairo or Geneva at which he would guarantee freedom of navigation through the Canal.

19. Nasser is reported to have been in close consultation with the Soviet, Indian and Russian Ambassadors in Cairo.

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SOVIET REACTION

20. Khrushchev in a statement on 31st July said that Russia supported Egypt's nationalisation of the Canal which had been received with too much excitement in the United Kingdom and France; Russia was directly interested in maintaining freedom of shipping through the Canal and felt that there was no cause for alarm. He thought that "the commonsense, experience and political soberness of the statesmen of Britain and France will allow them to find the correct comprehension of this historic act of Egypt's and make the proper deductions from it".

21. The British Ambassador in Moscow, reporting last week, believed that Khrushchev's statement might be a serious attempt to take the heat out of the situation, and that it carried some hint of the Soviet's comprehension of the West's attitude. The Ambassador had the impression that the Soviet was somewhat worried about the explosive potentialities of the situation. On the other hand Soviet newspapers are reported to have carried yesterday strongly worded editorials supporting Egypt; they attacked the Western proposal to call an international conference, claiming that it was merely an excuse to reimpose imperialist control over the Canal.

SOUTH AND SOUTH-EAST ASIA

22. While the South and South East Asian countries who have been invited to the Conference are so far prepared privately to query Egypt's action, it is not at all certain that they will maintain a ^{public} firm stand against it. The initial reaction of India and Ceylon has been only uncertainly critical, the Indonesian position although not yet officially defined is likely to favour Egypt, and Pakistan, although it has an appreciation of the strategic issues involved, is cautious about the way in which it should express its position.

23. In the face of any firm Egyptian opposition, the possibility is that these countries will discard the idea of international control in favour of some arrangement by which Egypt offers guarantees or a reaffirmation of the 1888 Convention obligations, while maintaining its position as the operating as well as the sovereign power. In this way, they would probably hope to rely on bilateral agreements with Nasser to re-insure their own individual interests.

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UNITED STATES POSITION

24. Although Dulles agreed to an international conference on the future of the Canal he did not do so until he had received assurances from the United Kingdom and France that for the present at least there would be no forceful action. United States influence can therefore be expected to be on the side of caution and restraint.

25. United States preliminary thinking has been along the following lines:-

- (a) it would be unwise to present Nasser with an ultimatum to force reversal of the nationalisation decision; Nasser would be unlikely to back down and war would be inevitable; \\
- (b) the objective of the conference should be to ensure open, secure and efficient operation of the Canal as an international waterway. The proposed procedure would avoid reference to the United Nations where the matter might become bogged down;
- (c) the United States did not see how the Soviet could object to the conference and assumed Soviet attendance, which should not prevent the conference from setting up a "stable administration having some international element."
- (d) if Egypt defied the conference or rejected its proposals, there would be a "broader basis for other action by interested countries", free of the implications that they were simply supporting the Canal Company owners for reasons unconnected with the preservation of the Canal as an international waterway;
- (e) the United States recognised that nationalisation of the Canal was legally admissable but politically intolerable.

26. Assets of the Egyptian Government and the Suez Canal Company in the United States have been placed under Government Control.

AUSTRALIAN INTERESTS

27. Australia's interests in the Canal are:

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- (a) Proprietary: It is not known whether there are any Australian shareholders, but if there are, their holdings are not expected to amount to any substantial sum; 84
- (b) Strategic: The Canal is a vital link between the United Kingdom and Europe on the one hand and South-East Asia and Australia on the other. In a restricted war in the Far East the free use of the Canal would be vital to Australia and its allies. In a global war, the Canal would be vulnerable to strategic bombing and probably would be closed to all traffic;
- (c) Economic: The Canal is important to Australia as the shorter and less expensive route for her trade. It has been estimated that if the Canal were closed to Australia, the annual cost to Australia in increased freight charges via the Cape would be £A.11 million. Australia is also concerned to ensure that freight charges shall not be increased by an arbitrary raising of dues, by incompetent administration or by failure to carry out essential maintenance and improvements.
- (d) Political: Australia is interested in ensuring that the Canal shall not be exploited by any one country or a number of countries for purposes of national or foreign policy. The reasons mentioned in paragraph 28
- (d) below also define our political interest.

AUSTRALIA IN RELATION TO OTHER WESTERN INTERESTS

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22 8.

28. Australia's interests differ from those of the United Kingdom and Western Europe, at the following points:-

- (a) Proprietary: Shares in the Suez Canal Company are owned principally by the United Kingdom Government (believed to be in the vicinity of 44%) and private French investors whereas there are no known Australian shareholders. There are also several hundred British and French nationals employed by the Company in Egypt but no Australian citizens;
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- (c) Economic: A greater percentage of Australia's trade (approximately 60%) passes through the Canal than that of the United Kingdom or any Western European country, i.e. a higher percentage of Australia's national income is dependent on trade passing through the Canal.

As a freight payer Australia's interests are not identical with those of these predominantly freight earning countries. Higher freight charges due to increased Canal charges or diversion via the Cape would be borne by Australia.

On the other hand oil supplies to Australia from the Persian Gulf do not have to pass through the Canal as they do to Western Europe;

- (d) Political: Looking at the problem in a narrowly compartmental way, Australia is more directly concerned with the countries of South and South East Asia whereas France and the United Kingdom have greater interests in the Mediterranean and the Middle East (e.g. oil, Algeria, Cyprus). Nevertheless, if the present situation is not satisfactorily adjusted the following political results might be expected:
- (i) Nasser's prestige ^{would} ~~will~~ increase enormously, and he may be prompted to undertake further adventures in other Middle East contexts;
 - (ii) The Soviet position in the Middle East ^{would} ~~will~~ be consolidated;
 - (iii) Western influence through the Middle East and North Africa ^{would} ~~will~~ be seriously reduced if not destroyed;
 - (iv) The French position in Algeria may become untenable;
 - (v) Other Arab countries ^{would} ~~will~~ be encouraged to nationalise Western companies (oil);
 - (vi) The Baghdad Pact structure ^{would} ~~will~~ be threatened;
 - (vii) Encouragement ^{would} ~~will~~ be given to unilateral action against Western interests in other parts of the world particularly in South and South East Asia. (Indonesia has already repudiated her Dutch debt).

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TOP SECRETWESTERN OPERATIONAL MOVEMENTS

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Appendix:

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- (a) the extent to which other countries, e.g. the Sino-Soviet bloc or countries could make up the loss;
- (b) the ability of Egypt to take retaliatory action

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37. The following principles have been agreed upon by the United States ^{to London} & France as a framework for discussing the discussions at the London Conference on August 15: 11

QUESTIONS REQUIRING DECISIONS (contd.)(c) Matters which may arise at the Conference 80

In accepting the invitation to participate in the Conference, Australia is only committed to the proposal "steps should be taken to establish operating arrangements under an international system designed to assure the continuity of operation of the Canal as guaranteed by the Convention of 29 October 1888 consistently with legitimate Egyptian interests". So far Australia is not committed to any enforcement action in the event that Egypt refuses to attend the Conference or that Egypt refuses to accept the decisions of the conference. However, the question of follow up action may arise at the conference itself; the Australian Representative may therefore have to discuss and take decisions on courses of action. These courses of action might be as follows:

- (i) discussions after the Conference and in the light of its decisions between representatives of the Conference and Egypt;
- (ii) reference to the United Nations;
- (iii) limited financial action and economic blockade;
- (iv) use of military force.

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NATIONALISATION OF THE SUEZ CANAL

ACT OF EXPROPRIATION:

On 26th July, 1956, the Egyptian Government expropriated the Suez Canal Company unilaterally and without notice. 79

THE CONCESSIONS:

2. The Company was formed in 1856 to operate two Concessions granted by the Turkish Viceroy of Egypt to de Lesseps and the Company, which he formed. The Concessions run until 1968 and only then, unless they are renewed, does ownership of the Canal pass to the Egyptian Government. This act of expropriation by the Egyptian Government is, therefore, a breach of the Company's Concessions.

CONVENTION OF CONSTANTINOPLE, 1888:

3. Free and unfettered use of the Canal is guaranteed by the Suez Canal Convention of 1888 signed by the United Kingdom, Germany, Austria-Hungary, Spain, France, Italy, Netherlands, Russia and Turkey. The Convention is still in force. It imposes a specific obligation on the Egyptian Government to uphold the "free and open" navigation of the Canal in peace and war to every vessel of commerce and of war without discrimination of flag and stipulates that obligations imposed by the Convention shall continue after the expiration of the Company's concessions.

INTERNATIONAL COURT:

4. The act of expropriation by Egypt does not appear to provide sufficient grounds on which to bring the matter before the International Court. In any case Egypt has not accepted the compulsory jurisdiction of the Court.

UNITED NATIONS:

5. The question could be referred either to the Security Council by any one Member of the Organization or to the General Assembly by a simple majority of the Members or any seven Members of the Security Council.

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6. It could be referred to the Security Council under Article 34 of the Charter (any dispute or situation "which might lead to international friction or give rise to a dispute"). In fact, under Article 37 of the Charter the parties to a dispute are obliged to refer it to the Security Council should peaceful means of settlement fail. 78

7. The question could be referred to the Assembly under Article 10 (any questions within the scope of the Charter) or Article 11 (questions relating to the maintenance of international peace and security).

8. Reference to the Security Council is complicated by the factors that:-

- (a) In voting resulting from references under Article 34 of the Charter the parties to the dispute are required to abstain. A difficult and probably protracted procedural debate would therefore be likely;
- (b) It is hard to forecast the Soviet attitude, though this would probably depend to some extent at least on the kind of proposal put to the Council;

9. While the Security Council is an appropriate body to deal with situations affecting peace and security, it may not be the best forum for working out, if present proposals fail, practical arrangements under which Suez Canal operations might be satisfactorily conducted.

10. Reference to a special session of the Assembly, as distinct from the Security Council, is complicated by the factors that:-

- (a) Reference to a special session of the Assembly is a relatively slow process compared with reference to Security Council. The slowness of the special session procedure could be overcome by calling an emergency session. It would, however, probably be difficult to get rapid action in an Assembly of 76 countries without clear objectives agreed between the principal Western Powers and firm intention to secure these without delay. It may be observed that the Assembly might produce the means to a settlement, not necessarily itself work out the terms.

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- (b) It is difficult to assess quickly whether the Western Powers could muster up the necessary majority (two-thirds in all probability) for a satisfactory resolution, but given the conditions just mentioned and the support of India this should be possible.

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11. Despite the complications of reference to the United Nations, it is clear that the use of force against Egypt (or even the threat of the use of force) except with the sanction of the United Nations would involve a breach of the Charter. Article 2 obliges Members as a principle to settle their disputes by peaceful means and to refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state. If Egypt refuses to negotiate, reference to the United Nations prior to the use of force is required by the Charter (Articles 2 (3-4) and Article 37(1)).

LONDON CONFERENCE:

12. The aim of the United Kingdom and French Governments has been to approach the problem outside the United Nations by mustering international opinion against Egypt's action. Following tripartite discussions in London between the United Kingdom, France and the United States, the United Kingdom has issued invitations to a conference in London on 16th August to the following 24 countries:

Parties to the 1888 Convention:

Egypt, France, Italy, Netherlands, Spain,
Turkey, United Kingdom, U.S.S.R.;

Countries interested in the Canal
through ownership of tonnage or
pattern of trade:

Australia, Ceylon, Denmark, Ethiopia, Federal
Republic of Germany, Greece, India, Indonesia,
Iran, Japan, New Zealand, Norway, Pakistan,
Portugal, Sweden, United States of America.

13. The position regarding acceptances is not momentarily clear. It was unofficially reported on August 4th that 16 countries had accepted the invitation. To-day the A.B.C. states that 5 countries have so far officially accepted, (Australia, Pakistan, Italy, Portugal and Turkey).

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14. The purpose of the Conference is to establish operating arrangements under an international system designed to assure the continuity of operations of the Canal as guaranteed by the 1888 Convention, consistently with legitimate Egyptian interests. 76

EGYPTIAN POSITION

15. The Egyptians were at first in an ostentatious, almost an aggressive mood, claiming nationalisation as a "bold and imaginative act". They seemed confident that shipping companies must continue to use the Canal and that Egypt held all the trump cards. The United Kingdom Note of protest was returned.

16. Following limited economic measures by the United Kingdom Nasser in his speeches implied that he expected an attempt to re-occupy the Canal Zone in which event Egypt would fight to the end. The Canal Zone was placed under Egyptian martial law and pilots were warned that failure to report for duty when required would be punishable by court martial with the maximum penalty.

17. Latest reports from Cairo are that Nasser is coupling abusive, anti-Western speeches with assurances that he intends to allow the unhindered passage of shipping through the Canal. The Australian Legation reports, however, that there are some signs of apprehension about the military consequences of the expropriation. On the other hand Egypt is drawing encouragement from United States caution.

18. The only official Egyptian reaction so far to the invitation to attend the 24 nation conference in London has been a moderately worded statement on 3rd August. This gave no hint that Egypt would refuse to attend but Outler reported on 3rd August that the present Egyptian attitude would strongly suggest complete rejection. Rueter's reports of 5th August attribute to "diplomatic observers" in Cairo the view that Nasser is opposed to the idea of an international conference to discuss internationalising the Canal and that he will probably propose an international conference in either Cairo or Geneva at which he would guarantee freedom of navigation through the Canal.

19. Nasser is reported to have been in close consultation with the Soviet, Indian and Russian Ambassadors in Cairo.

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SOVIET REACTION

20. Khrushchev in a statement on 31st July said that Russia supported Egypt's nationalisation of the Canal which had been received with too much excitement in the United Kingdom and France; Russia was directly interested in maintaining freedom of shipping through the Canal and felt that there was no cause for alarm. He thought that "the commonsense, experience and political soberness of the statesmen of Britain and France will allow them to find the correct comprehension of this historic act of Egypt's and make the proper deductions from it".

21. The British Ambassador in Moscow, reporting last week, believed that Khrushchev's statement might be a serious attempt to take the heat out of the situation, and that it carried some hint of the Soviet's comprehension of the West's attitude. The Ambassador had the impression that the Soviet was somewhat worried about the explosive potentialities of the situation. On the other hand Soviet newspapers are reported to have carried yesterday strongly worded editorials supporting Egypt; they attacked the Western proposal to call an international conference, claiming that it was merely an excuse to reimpose imperialist control over the Canal.

SOUTH AND SOUTH-EAST ASIA

22. While the South and South East Asian countries who have been invited to the Conference are so far prepared privately to query Egypt's action, it is not at all certain that they will maintain a firm stand against it. The initial reaction of India and Ceylon has been only uncertainly critical, the Indonesian position although not yet officially defined is likely to favour Egypt, and Pakistan, although it has an appreciation of the strategic issues involved, is cautious about the way in which it should express its position.

23. In the face of any firm Egyptian opposition, the possibility is that these countries will discard the idea of international control in favour of some arrangement by which Egypt offers guarantees or a reaffirmation of the 1888 Convention obligations, while maintaining its position as the operating as well as the sovereign power. In this way, they would probably hope to rely on bilateral agreements with Nasser to re-insure their own individual interests.

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UNITED STATES POSITION

24. Although Dulles agreed to an international conference on the future of the Canal he did not do so until he had received assurances from the United Kingdom and France that for the present at least there would be no forceful action. United States influence can therefore be expected to be on the side of caution and restraint.

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25. United States preliminary thinking has been along the following lines:-

- (a) it would be unwise to present Nasser with an ultimatum to force reversal of the nationalisation decision; Nasser would be unlikely to back down and war would be inevitable;
- (b) the objective of the conference should be to ensure open, secure and efficient operation of the Canal as an international waterway. The proposed procedure would avoid reference to the United Nations where the matter might become bogged down;
- (c) the United States did not see how the Soviet could object to the conference and assured Soviet attendance, which should not prevent the conference from setting up a "stable administration having some international element."
- (d) if Egypt defied the conference or rejected its proposals, there would be a "broader basis for other action by interested countries", free of the implications that they were simply supporting the Canal Company owners for reasons unconnected with the preservation of the Canal as an international waterway;
- (e) the United States recognised that nationalisation of the Canal was legally admissible but politically intolerable.

26. Assets of the Egyptian Government and the Suez Canal Company in the United States have been placed under Government Control.

AUSTRALIAN INTERESTS

27. Australia's interests in the Canal are:

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- (a) Proprietary: it is not known whether there are any Australian shareholders, but if there are, their holdings are not expected to amount to any substantial sum;
- (b) Strategic: the Canal is a vital link between the United Kingdom and Europe on the one hand and South-East Asia and Australia on the other. In a restricted war in the Far East the free use of the Canal would be vital to Australia and its allies. In a global war, the Canal would be vulnerable to strategic bombing and probably would be closed to all traffic;
- (c) Economic: the Canal is important to Australia as the shorter and less expensive route for her trade. It has been estimated that if the Canal were closed to Australia, the annual cost to Australia in increased freight charges via the Cape would be £A.11 million. Australia is also concerned to ensure that freight charges shall not be increased by an arbitrary raising of dues, by incompetent administration or by failure to carry out essential maintenance and improvements.
- (d) Political: Australia is interested in ensuring that the Canal shall not be exploited by any one country or a number of countries for purposes of national or foreign policy. The reasons mentioned in paragraph 28 (d) below also define our political interest.

AUSTRALIA IN RELATION TO OTHER WESTERN INTERESTS

28. Australia's interests differ from those of the United Kingdom and Western Europe, at the following points:-

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THE USE OF MILITARY FORCE

33. Sir Anthony Eden last week sent a message to the Prime Ministers of Australia, Canada, New Zealand and South Africa stating that in the last resort force may have to be used to secure Egyptian agreement to some form of international control for the Canal. Mr. Menzies, in a message sent to his Ministers, has rejected the idea of "a threat of force which would not have the support of the United States." The substance of the advice tendered to the Prime Minister in a telegram sent to him last week by the Acting Prime Minister, and the Ministers for Defence and External Affairs, was that there was substantial argument against the use of force.

ECONOMIC SANCTIONS AGAINST EGYPT

34. Without going into the merits or practicabilities of them, possible courses of action are:

- (a) limited financial action of the kind e.g. freezing assets, exchange control, restriction on transfers;
- (b) a total trade embargo;
- (c) a partial trade embargo.

The practicabilities and possibilities of each of the foregoing are under study.

At this stage, it appears:-

- (i) that the co-operation of several countries would be needed before action could be taken which would put such pressure on Egypt as to cause any radical change in her attitude. Some relevant considerations in this connection are

- (a) The United Kingdom, United States, France, Canada, Australia and New Zealand together account only for about 35 per cent of Egypt's imports and only 20 per cent of Egypt's exports.
- (b) The United Kingdom's Egyptian current account sterling holdings amount to only £21 million. Egypt holds dollars on current account amounting to £24 million sterling. The freezing of either or both of these amounts would hamper Egypt but would not cripple her.

- (ii) The effectiveness of any action against Egypt would be influenced by -

- (a) the extent to which other countries, e.g. the Sino-Soviet bloc or countries could make up the loss
- (b) the ability of Egypt to take retaliatory action

QUESTIONS REQUIRING DECISIONS

35. (a) Formal Invitation to London Conference

The formal acceptance of the Australian Government will need to be notified.

- (b) Representation

~~It is recommended that Australia be represented at the Conference at Ministerial level.~~

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QUESTIONS REQUIRING DECISIONS (contd.)

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(c) Matters which may arise at the Conference

In accepting the invitation to participate in the Conference, Australia is only committed to the proposal "steps should be taken to establish operating arrangements under an international system designed to assure the continuity of operation of the Canal as guaranteed by the Convention of 29 October 1888 consistently with legitimate Egyptian interests". So far Australia is not committed to any enforcement action in the event that Egypt refuses to attend the Conference or that Egypt refuses to accept the decisions of the conference. However, the question of follow up action may arise at the conference itself, the Australian Representative may therefore have to discuss and take decisions on courses of action. These courses of action might be as follows:

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DEPARTMENT OF EXTERNAL AFFAIRS.

OUTWARD TELETYPE MESSAGE.

MESSAGE. NUMBER 976 6/8/56

TO: SECRETARY, DEPT OF DEFENCE, MELBOURNE
SECRETARY DEPT OF CIVIL AVIATION MELBOURNE
SECRETARY DEPT OF SHIPPING MELBOURNE
SECRETARY DEPT OF TRADE CANBERRA
SECRETARY DEPT OF TREASURY CANBERRA
SECRETARY PRIME MINISTER'S DEPT CANBERRA

FROM: E A, CANBERRA
TOP SECRET IMMEDIATE

.....

FROM SECRETARY, EXTERNAL AFFAIRS.

WE ARE SENDING YOU IN OUR IMMEDIATELY FOLLOWING TELEPRINTER
A DRAFT FORMAT OF OUR BRIEF FOR SUEZ CANAL CONFERENCE ON 16TH
AUGUST. WE SHOULD BE GRATEFUL IF YOU WOULD LET US HAVE BY TO-
MORROW ANY COMMENT WHICH YOU WOULD WISH TO BE CONSIDERED IN RELATION
TO SUBJECTS CONCERNING YOUR DEPARTMENT. IF YOU CONSIDER THAT
ANY OTHER MAJOR HEADINGS OF INTEREST TO YOUR DEPARTMENT SHOULD BE
INCLUDED WOULD YOU PLEASE INFORM US.

2. THIS MESSAGE IS BEING SENT TO PRIME MINISTER'S DEPARTMENT,
DEFENCE, TRADE, TREASURY, CIVIL AVIATION AND SHIPPING.

MESSAGE ENDS AS

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Mr. Gillingham
McLachlan *Felt*

CABLEGRAM

SHA.

1.10325/6/7.

FROM:

Dated: 5th August, 1956.
2254
Recd.: 6th August, 1956.
2115

Australian Embassy,
WASHINGTON.

777.

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For Fadden, Casey and McBride only from Spender.

Reference cable 768.

We saw Dulles at his home. In addition to the Prime Minister and myself, Sebald was present. Dulles had rung me before we met him, saying that he wanted to speak very frankly on the situation and did not want other people present.

2. After referring to the gravity of the situation as he saw it, he said that the British and the French when he arrived in London were set upon taking firm and quick military action to bring Nasser to heel. They were, in his view, still determined upon such action if the conference did not produce satisfactory results.

3. The purpose of the conference should be to establish an international agency to secure unimpeded passage for the nations using the Canal (on which agency Egypt, of course, would be represented) giving Egypt a fair share of the tolls. It would run the Canal on the basis of service to the users of the Canal and not for "profit of any shareholders". It had to be made clear that the issue was not a question of the right of a country to nationalise but rather to preserve an international waterway open to all nations.

4. It was doubtful, in his opinion, whether Nasser would attend or be represented. If it was desired that Egypt should be at the conference, as in his opinion it should be, London had not been the wisest choice. But he found that he had no other alternative but to go along with this proposal. He was critical of the announcements which had been made by the United Kingdom calling up troops etc. It was unlikely Nasser would attend "at pistol point" and all this was not conducive to persuading him to come, and the atmosphere created was such that, failing agreement at the conference, United Kingdom would feel herself committed to engage in immediate military action.

5. One purpose, perhaps the only purpose in the view of the United Kingdom of holding the conference was to prepare international opinion throughout the world for such steps as the United Kingdom and France decided then should be taken. While he, Dulles, thought that the time between now and the 16th - he had stood out for this date, the British wanting a much earlier one - might provide a cooling off period, and whilst there would be counsels of moderation in London when the conference did take place - in their present mood both United Kingdom and France were set for quick military action, which of course, could have far-reaching consequences.

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McLaudin

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CABLEGRAM.

1.10325/6/7.

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6. He did not under-estimate in any way how vital were the issues to the Western world and particularly to the United Kingdom. If Nasser was allowed to get away with this it would gravely affect the position of the Western world throughout the whole of the Middle East and would especially undermine deeply the United Kingdom's position as a world power. She could become "another Portugal". He therefore acknowledged the importance the United Kingdom put upon forcing Nasser to see reason, he referred to conversation with McMillan when the latter was alleged to have remarked - in defending United Kingdom's determination to use force/necessary, so important were the issues to the United Kingdom - that if they had to die as a first-class nation they would prefer to do so "with their boots on".

7. In this context he questioned whether United Kingdom and France really wanted Nasser to attend the conference. Rather, he thought, they wished to use the conference as the moral basis for military action still contemplated by them if no satisfactory agreement were quickly reached.

8. He referred to the impossibility of the United States being able to lend any military support to the United Kingdom. It would, in any event, take a long time to condition public opinion in the United States. Much as the United Kingdom might like to have this support, they were content to have the moral and economic backing of the United States. The United Kingdom thought they could handle the situation with such backing from United States and did not think it likely to bring the Soviet in. If the United States were to make it clear that, so long as the Soviet kept out so would they - United Kingdom thought that would be sufficient to deter the Soviet from intervention. If, said Dulles, Soviet did directly intervene in the dispute that would be the "big thing". He spoke of the difficulty of supplying oil to Great Britain in the event of military action causing critical situation in the flow of oil. It would involve, among other things, rationing of petrol in the United States and that itself was no small problem. But they would, in those circumstances, be prepared to do all they could.

9. There was little doubt in Dulles' mind that military action to bring Nasser to heel was likely to precipitate a crisis throughout the whole Middle East. He referred, inter alia, to the possibility which clearly he did not discount of Israel availing herself of the occasion to strike into Jordan etc. It is also clear that United States influence will be on the side of urging other means, short of military action, of bringing dispute to settlement. He spoke of having dissuaded France from sending some further Mysteres to Israel. He doubted very much whether United Kingdom and France had fully thought through the consequences of military action they were contemplating. He had he said, pointed out to the United Kingdom the trouble it had had in 1953 in the Canal dispute despite comparatively large forces they then had there.

10. He read us extracts from a cable just received from Byroade in Cairo, who had just seen Nasser, whom Byroade said he found "relaxed" and "friendly". Nasser had just returned from

CABLEGRAM.

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some beach and a picture-show where he had been with his children. The general impression one drew from the conversation reported was -

- (a) Nasser was somewhat uncertain of himself,
- (b) whilst he refrained from saying he would not attend the conference he said nothing to induce any hope that he would. He criticised the proposal in some detail and said that the United Kingdom would line up the nations against him and that they would, of course, go along, he spoke even about possibility of finding himself alone with the Soviet against the rest of the nations. It was still, however, possible that he would decide to attend seeking to lay down some conditions before doing so, including change of venue.

11. Dulles said the position was particularly critical because questions of national prestige were now heavily involved. Not only that of Egypt identified with Nasser, but of United Kingdom and France.

12. France, he said, strangely enough, seemed if anything, more bent on action even than Great Britain. They had "swing about 180 degrees" in their evaluation of general Soviet motives. Not so long ago they had been urging the need to respond favourably to Soviet "new look" whilst now they were satisfied the Soviet was behind Nasser's operation.

13. Both the Prime Minister and myself urged the importance of using Nehru to counsel moderation on the part of Nasser. The interest of India in the Canal was an important one to her as a trading nation and it could well be that, upon this issue, they will divide from Nasser, particularly if the issue was not fouled up by any question of the right of the country to nationalise. We asked whether there was any information that the United Kingdom Ambassador had seen Nasser. He knew of none, though Byroade, was, as appeared from his cable, in touch with the United Kingdom Ambassador.

14. We stressed the importance of careful preparatory work prior to the convening of the Conference, both in respect of economic sanctions and all steps short of armed conflict up to blockade and the nature and extent of contemplated military action itself. In particular, as to whether military action would be likely effectively to bring about a solution to the problem or more likely to do so compared with other action short of armed intervention. An examination of these considerations in the light of ultimate cost including the lives of man, now vitally necessary, and agreement between the Great Powers essential prior to the conference so that we would fully think through the means which could be employed to achieve the end we had in mind and the consequences likely to flow therefrom.

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

COPY NUMBER.....

CABLEGRAM 6325/6/7.

- 4 -

15. The Prime Minister and I took the view that the purpose which the conference had in mind in seeking to establish an international agency (see paragraph 3 above) would still remain the same if the conference failed to produce any result because of lack of agreement or the absence of Egypt at it. Therefore, the examination of ways and means as above, would still need to be directed to this end.

16. He said it was possible that Nasser might seek to forestall the conference by referring the dispute to the Security Council. He thought he could be quickly cut off there. 64

17. There was some discussion about the difficult economic situation in which Egypt now found herself and the pressures which would be on Nasser in such circumstance. This, if properly exploited, might be useful in inducing Nasser to see reason.

18. Incidentally, he mentioned that decision not to finance the Aswan Dam had been taken after most careful consideration. Apart from the financial inability of Egypt to bear her domestic share of the cost of the Dam and the danger that she would be unable to repay a loan given to her, it was thought that because of the long period of austerity which would need to be imposed upon the Egyptian people by its Government to complete the Dam, that over the long haul the United States would be blamed for it and great resentment would be built up against her as the money lender and that no real benefit would flow from the point of view of the United States.

ACTING PRIME MINISTER
MIN. FOR E.A.
MIN. FOR DEFENCE
SIR FREDERICK SHEDDEN
MR. A.H. TANGE
MR. E.J. BUNTING

6th August, 1956

SEC MR PLIMSOLL MR FORSYTH MR KEVIN

TOP SECRET

JCGK/DC

TOP SECRET

6th August, 1956.

63

Dear John,

...

I am enclosing a copy of two messages concerning the Suez Canal which are being sent to-day to the Departments named in them. If your Department has any comment would you be so good as to let me have it by to-morrow.

Yours sincerely,

E. J. Bunting, Esq., O.B.E.,
Prime Minister's Department,
CANBERRA, A.C.T.

Same letter to:-

G. H. Warwick-Smith, Esq.,
Department of Trade,
CANBERRA, A.C.T.

Dr. R. J. Whitelaw, Esq.,
Department of the Treasury,
CANBERRA, A.C.T.

TOP SECRET

JCGK/DC

TOP SECRET

6th August, 1956.

62

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Dr.R. J. Whitelaw, Esq.,
Department of the Treasury,
CANBERRA, A.C.T.

TOP SECRET

TOP SECRET

TOP SECRET

COPY OF
PRINTERGRAM

61

TO: Secretary, Department of Defence, Victoria Barracks, Melbourne
" " " Civil Aviation, Melbourne
" " " Shipping, Melbourne
" " " Trade, Canberra
" " " Treasury, Canberra
Acting Secretary, Prime Minister's Department, Canberra
FROM: External Affairs, Canberra.

TOP SECRET

From Secretary, External Affairs.

We are sending you in our immediately following teleprinter a draft format of our brief for Suez Canal Conference on 16th August. We should be grateful if you would let us have by to-morrow any comment which you would wish to be considered in relation to subjects concerning your Department. If you consider that any other major headings of interest to your Department should be included would you please inform us.

2. This message is being sent to Prime Minister's Department, Defence, Trade, Treasury, Civil Aviation and Shipping.

6th August, 1956.

TOP SECRET

DRAFT FORNAT OF BRIEF FOR SUEZ CANAL CONFERENCE, LONDON, 16th AUGUST

AUSTRALIA'S INTERESTS IN SUEZ CANAL:

1. (a) proprietary interests?
 - (b) interests arising out of use of Canal;
 - (i) strategic;
 - (ii) economic (with figures)
 - (c) political interests;
 - (d) oil supplies.
2. Extent to which these interests differ from those of other participants in Conference.

59

SAFEGUARDS TO BE SOUGHT:

Safeguards are needed against:

- (i) discrimination
- (ii) unreasonable dues
- (iii) incompetent administration
- (iv) interference with shipping and supplies in emergency.

AUSTRALIA'S OBJECTIVE AT CONFERENCE:

To protect our interests and provide adequate safeguards.
International machinery which will ensure free and unrestricted use of the Canal at all times to all nations forever (this amounts to re-affirmation of principles of 1888 Convention), reasonable and non-discriminatory dues (international control) and efficient administration.

TYPE OF REGIME ENVISAGED:

I. Ideal:

- (a) international zone (territorial rights);
- (b) international control and operation
(but including Egyptian participation);
- (c) financial (profits, operating costs, maintenance, new works).

II. Minimum:

- (a) international control of operations;
- (b) international Convention (or 1888 Convention brought up to date).

FINANCIAL:

Possible implications of establishing an international regime. Who will pay for maintenance costs? Who will assume responsibility for buying out the Canal Company? What financial obligations can (or should) Australia assume? What tangible benefits is Egypt already deriving from the Canal as an indicator in deciding what interest she should be given in any future regime?

58

LEGAL ISSUES:

- (a) Rights of the Company;
- (b) International rights including devolution of rights to Australia;
- (c) Rights of Company employees;
- (d) Copy of U.K. notes on legal aspects of Egypt's action.

OUTLINE OF MEET:

- (i) method of negotiation if :
 - (a) she declines to attend Conference
 - (b) attends but rejects conditions:
- (ii) use of compulsion (military or economic);
 - (a) in present circumstances?
 - (b) if Egypt rejects Conference recommendation?
 - (c) if Egypt rejects U.N. recommendation?

PRINTERGRAM.

No. 977

Secretary, Department of Defence, Melbourne
" " " Civil Aviation, Melbourne
To " " " Shipping, Melbourne
" " " Trade, Canberra
" " " Treasury, Canberra
From " " " Prime Minister's Department, Canberra

BRANCH.....

FILE No.....

From : External Canberra, Canberra

TOP SECRET

From Secretary, External Affairs

57

TOP SECRET

DRAFT FORMAT OF BRIEF FOR SUEZ CANAL CONFERENCE, LONDON, 16th AUGUST

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1. (a) proprietary interests?
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2. Extent to which these interests differ from those of other participants in Conference.

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- (ii) unreasonable dues
- (iii) incompetent administration
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handwritten - delay by administrative

APPROVED BY.....
27/8/58

DATE..... OPERATOR.....

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handwritten

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- (c) financial (profits, operating costs, maintenance, new works).

II. Minimum:

- (a) international control of operations;

UNCLASSIFIED INFORMATION IN CONFERENCE:

- (I) interference with any activity
- (II) interference with any activity
- (III) interference with any activity
- (IV) interference with any activity
- (V) interference with any activity

PRINTERGRAM

No. 977

UNCLASSIFIED INFORMATION IN CONFERENCE:

interference with any activity

interference with any activity

(a) interference with any activity

From: External

SECRET

(b) interference with any activity

(c) interference with any activity

(d) interference with any activity

(e) interference with any activity

UNCLASSIFIED INFORMATION IN CONFERENCE:

UNCLASSIFIED INFORMATION IN CONFERENCE:

2.

- (b) international convention (or 1888 Convention brought up to date).

FINANCIAL:

Possible implications of establishing an international regime. Who will pay for maintenance costs?

Who will assume responsibility for buying out the Canal Company? What financial obligations can (or should)

Australia assume? *Canal Company to Egypt*

52

LEGAL ISSUES:

- (a) Rights of the Company.
- (b) International rights. *(plus desolate) (plus 7)*
- (c) Rights of Company employees.

HANDLING OF EGYPT:

- (i) method of negotiation if:
 - (a) she declines to attend Conference; *idea*
 - (b) attends but rejects conditions;
- (ii) use of compulsion (military or economic):
 - (a) in present circumstances?
 - (b) if Egypt rejects Conference recommendation?
 - (c) if Egypt rejects U.N. recommendation?

Reference

(1) *Longth paper (large all spec. with
possibilities & caution*

Other balance, only known

DEPARTMENT OF EXTERNAL AFFAIRS.

COPY

OUTWARD TELETYPE MESSAGE.

MESSAGE NUMBER 978 6/8/56 1642

TO: DEFENCE DEPT MELBOURNE

FROM: E A, CANBERRA

T O P S E C R E T

TOP
SECRET

55

PERSONAL FOR SHEDDEN FROM TANGE

Mr Buntington

1. I SHOULD BE GLAD IF YOU COULD GIVE ME SOME ESTIMATE OF THE DATE UPON ~~WHICH~~ WHICH YOU EXPECT THE DEFENCE COMMITTEE TO ISSUE ITS APPRECIATION OF THE OBJECTIVES AND MILITARY IMPLICATIONS OF THE USE OF FORCE BY THE UNITED KINGDOM, ~~RAI~~ ~~FRANCE~~ FRANCE, AND ~~U.S.~~ SUCH OTHER COUNTRIES AS MIGHT JOIN THEM AGAINST EGYPT.
2. APART FROM THIS YOU SHOULD BE RECEIVING SHORTLY TELEGRAM 768 FROM THE PRIME MINISTER ADDRESSED TO FADDEN, CASEY AND MCBRIDE WHICH CALLS FOR A DEFENCE APPRECIATION '' AS TO WHAT AUSTRALIA MIGHT DO AND WHERE AND HOW ~~IN~~ IN THE EVENT OF OUR OWN PARTICIPATION! THIS REFERENCE APPEARS IN THE CONTEXT OF A MESSAGE IN WHICH DULLES HAS SAID THAT BOTH THE UNITED KINGDOM AND FRANCE WOULD NOT HESITATE TO EMPLOY MILITARY FORCE AND THAT, IN THE EVENT OF ANY REFUSAL ON NASSER'S PART, THEY WOULD ENTER UPON ~~IT~~ ~~MILITARY~~ MILITARY OPERATIONS PROMPTLY.
3. I HAVE TOLD MR. BUNTING THAT I SHALL BE APPROACHING YOU DIRECT ASKING THAT THIS APPRECIATION BE PUT IN HAND. IT SEEMS POSSIBLE THAT THE PRIME MINISTER MIGHT GO TO LONDON WITHIN THE NEXT FORTY-EIGHT HOURS WHICH SUGGESTS THAT IT SHOULD BE PREPARED AS SOON AS POSSIBLE.

MESSAGE ENDS CORRECT.. PARA 2.LINE 7..HESITATE TO EMPLOY

1634/1/33
TOP SECRET

COPY NUMBER 25

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM

:MB

- AMENDED COPY -

I. 10262.

Dated: 4th August, 1956.
2009

FROM:

Rec'd: 5th August, 1956.
0900Australian Legation,
CAIRO.

54

150. TOP SECRET. IMMEDIATE.

Repeated London 12.

Nasser sent for the American Ambassador last night. The Ambassador informs me Nasser talked freely and sought advice. Without instructions the Ambassador gave no advice except for delaying a reply to United Kingdom invitation to allow time for second thoughts. The Ambassador convinced that the present attitude is strongly opposed to accepting invitation but Nasser not committed to outright rejection and is still considering the matter. Nasser appears worried but not unduly so and is determined to resist to the utmost. The Ambassador considers threat of force unwise and may lose whole Middle East to West. He said Nasser would pull the temple down with him and Algerian problem would extend to the Persian Gulf. If force failed with Iran over Abadan it must fail against the whole of the Arab world. Baghdad Pact would go and Iraq would support Egypt." The Ambassador convinced that Nasser determined to maintain the canal and adhere to the Constantinople Convention. Nasser's conversation was:

- # (i) International Commission would mean ridding Egypt
of a French company to be saddled
with nearly every country in the world. His
pledge to Egypt was incompatible with this.
- # (ii) Constantinople Convention. He was willing to
adhere to an agreement with any one or more countries
or United Nations Assembly Conventions and annexes.
- (iii) London Conference. Nasser contended in view of present
threat of invasion he could not accept without appearing
coerced. Secondly, all countries invited were
Satellites except Russia and Egypt and the result was
foregone conclusion. This might result in Russia
and Egypt opposing and Western propaganda would con-
sequently label Egypt Communist. He informed the
Ambassador he was not certain of Russia's attitude on
future operation and control of the Canal although
Russia supported Egypt on nationalisation. Nasser
said he had sought clarification without result from
the Russian Ambassador. The Ambassador informed me
that this coincides with the American Ambassador's
report from Moscow.
- # (iv) Attitude to the West. Nasser showed bitterness over
the West's opposition to arms deal. Convinced the
High Dam offers were not genuine and incensed
at the manner of withdrawal and comments on
Egyptian economy. Surprised at unanimity and depth

TOP SECRET

FA

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

COPY NUMBER.....

INWARD CABLEGRAM. I.10262.

- 2 -

of the reaction to Canal nationalisation and the
doubt as to his assurances of a free passage.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
P.M.'s

* amendments

5th August, 1956

SEC A/Ss DR WYNES MR RENOUF MR LAWREY MR LOOMES MR BOOKER
MR LOVEDAY MR LANDALE

TOP SECRET

TOP SECRET

COPY NUMBER 18

DEPARTMENT OF EXTERNAL AFFAIRS.

INWARD CABLEGRAM

:MB

- AMENDED COPY -

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Dated: 4th August, 1956.
2009

Rec'd: 5th August, 1956.
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TOP SECRET

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS. COPY NUMBER.....

INWARD CABLEGRAM I.10262.

- 2 -

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MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
P.M.'s

* amendments

51

5th August, 1956

SEC A/SS DR WYNES MR RENOUF MR LAWREY MR LOOMES MR BOOKER
MR LOVEDAY MR LANDALE

TOP SECRET



50

With the compliments
of the
Official Secretary

The Secretary,
Department of External Affairs

Office of the High Commissioner
for the United Kingdom,
Canberra, A.C.T.

Leah

W. H. 7/8

Mr. Buckingham
W. H. 7/8

Mr. Lyndale

POL.274/1
TOP SECRET

3rd August, 1956.

Sir,

I am directed by the High Commissioner to refer to my letter POL.274/1 of the 3rd August and to forward the attached record of a meeting between the Secretary of State for Commonwealth Relations and Commonwealth High Commissioners in London on the 2nd August about the Suez Canal question.

A copy of this letter, together with its enclosure, is being sent to the Secretary, Department of External Affairs.

I am, Sir,
Your obedient servant,

(A.G.R. Rouse)

The Acting Secretary,
Prime Minister's Department,
London, S.W.1.

TOP SECRET

Record of meeting between the Secretary of State
for Commonwealth Relations and Commonwealth
High Commissioners on the 2nd August 1956.

Suez Canal

48

I have had a further meeting this morning with High Commissioners for all Commonwealth countries. I said that the hope had been that a communique would have been issued by now on the tripartite discussions the United Kingdom were having with the French and the Americans but that in fact finality had not yet been reached regarding its terms and that some further slight delay might be inevitable and talks were still continuing. I could not give any firm forecast of what the results might be, but from present trends the following points seemed more or less agreed -

- (i) it was vital to have firm international control of the Canal;
- (ii) the tripartite discussions were concerned with the best method of achieving this;
- (iii) the method which had most support was to convene a conference of countries -
 - (a) who were principal users of the Canal;
 - (b) who were signatories of the 1888 Convention (thus including Russia);
 - (c) whose life-line ran through the Canal;
- (iv) one of these sets of criteria or a mixture of all three might be adopted; it was too early to say which;
- (v) the suggestion was that the conference

/should

should discuss a scheme to be put forward by the United Kingdom, United States and France for the international control of the Canal;

47

(vi) this scheme if approved would be put to the Egyptians;

(vii) if Egypt refused as High Commissioners would have seen other preparations were being made.

I explained that on the basis of the three criteria at (iii) above for attendance at the conference, it seemed that Canada and South Africa might find it difficult to qualify, but it looked as though most other Commonwealth Governments would qualify if all three criteria were adopted. It would be a great help if those Commonwealth Governments who did not qualify could announce their agreement that international control should be the objective.

The High Commissioner for Canada suggested that Canada might qualify as a "successor state" to the signature on behalf of The Queen of the 1888 Convention. I said that this argument raised constitutional difficulties and also practical ones because if it were accepted, "successor states" of the Austro-Hungarian Empire, France, the Ottoman Empire etc. would have to be included which would bring in far too many countries with little interests in the Canal. Robertson then said that in the view of the Canadian Government the chief point was that it would not be realistic to have a conference without the attendance of both Russia and Egypt.

/In

In response to questions I said that the hope was that such a conference could be called quickly that there seemed to be no major hitch, but that I did not know when a communique would be issued.

46

CABLEGRAM

TOP SECRET

COPY NUMBER 39.

SA:HP

O.10427

Sent: 2nd August, 1956.
2300

TO:

Australian High Commission,
L O N D O N.1735. TOP SECRET. IMMEDIATE.

McEwen from McMahon.

Fadden has cabled Prime Minister in Washington on Suez Canal question analysing the type of action which might be taken by Western powers. Cable refers to United Kingdom view that it might be necessary to contemplate the use of force as a last resort. After considering what the military and political objectives might be, Security Council aspects, and some of the practical consequences of the use of force, the message suggests that the irrational fervour of Arab nationalism should not be under-rated and, in relation to any demonstration of strength, that if the United Kingdom bluffs and bluff is called United Kingdom will be in a far worse position.

2. In view of Australian long-term trade and communications interests the message supports the negotiation of some international regime to control the Canal and puts forward the view that the best foundations for this are:-

- (1) Tough commercial and financial counter-measures for the Egyptian seizure of the Company (as a preliminary to further negotiation and also as security for payment in sterling for assets nationalized).
- (2) Maintenance of a common political front among United States, United Kingdom and France while they search for a solution.
- (3) Mobilization of whatever support can be found among Asian countries (particularly India) whose commercial interests are involved for efforts designed to restore not the status quo but the protections of internationalization.
- (4) Appropriate retaliation and legal action if and when Egypt makes the mistake of interfering with shipping.
- (5) Consideration should be given to using the United Nations as soon as Egypt exposes herself by any of her actions - not in the expectation of providing a final solution but as an indispensable preliminary to further action which the major Powers might later have to take if a negotiated settlement cannot be reached.

3. Heydon has reported from Delhi that India will watch closely Egyptian administration and that present belief is that discrimination against one user should be treated by others as discrimination against all. (I regard this as an

TOP SECRET

/important.....

CABLEGRAM.

COPY NUMBER.....

-2-

0.10427

44

important indication of the line of thought of a major Asian country). Fadden's cable suggests that we might work towards collective assertion of this principle by a number of countries including India, Pakistan, Ceylon and possibly Burma whose trade is so dependent on use of Suez route.

4. In my view smooth achievement of ultimate settlement fully safeguarding Australia's interests seems likely to be considerably influenced by support of these and other countries of South and South East Asia if it can be obtained even on sheer commercial grounds. If this is so it is important that any form of international consultation that may be arranged should not preclude the development of concerted views among these countries (including Australia and New Zealand) and should not hinder due place being given to such views in any proposed measures of action.

A/M.n. & Dept. of Trade (Canb.)
" " " " External Affairs.
" " " " Defence.
P.M.'s.

Cost - £38.15.0.

3rd August, 1956.

SEC A/Ss DR.WYNES MR.RENOUF MR.LANDALE MR.BOOKER MR.LAWREY
MR. LOVEDAY MR. LOOMES MR.BILLINGTON

TOP SECRET



163/4/7/3/3

43

With the compliments
of the
Official Secretary

The Secretary,
Department of External Affairs.

Office of the High Commissioner
for the United Kingdom,
Canberra, A.C.T.

With ^{her} ~~best~~ ^{kind} regards
M. R. ~~McLachlan~~
McLachlan F. M.

TOP SECRET

POL.274/1

2nd August, 1956.

Sir,

I am directed by the High Commissioner to refer to
my letter POL.274/1 of the 31st July about the Suez Canal
_____ and to forward you the attached report on the latest
tripartite meetings, which took place on the 31st July.

A copy of this letter, together with its enclosure,
is being sent to the Secretary, Department of External
Affairs.

I am, Sir,
Your obedient servant,

(A.G.R. Rouse)

The Acting Secretary,
Prime Minister's Department,
Canberra, A.C.T.

42

TOP SECRET

Report on Tripartite meeting of 31st July

Suez Canal

Main feature of latest tripartite meetings yesterday was Mr. Murphy's strongly expressed preference for a communique which would -

- (a) censure Nasser by implication only;
- (b) foreshadow a conference composed of the signatories of the Convention of 1888 and the principal users of the Canal.

The United States Government would accept an invitation, but would not join in convening such a conference.

We and the French maintained our positions.

In view of the decision that Mr. Dulles should come to London no communique has been issued. Talks with him are now proceeding. M. Pineau has stayed on for them.

CABLEGRAM

TOP SECRET

COPY NUMBER 521

SA:HMCC

0.10337/8

Dated: 1st August, 1956.
1710

TO:-

Australian Embassy,
WASHINGTON.

40

584. TOP SECRET. IMMEDIATE.For Prime Minister from Fadden, McBride and
Casey.

1. We do not have precise text of message Eden sent you. We understand that he has said it is necessary to contemplate the use of force in the last resort in the Suez situation.

We ought to show the United Kingdom sympathetic understanding in the problem confronting them which adds to their other difficulties in the Middle East and Eastern Mediterranean.

2. We recognize that British and (to a large extent) Western prestige and influence in North Africa, the Middle East and Asia are involved and that unless Western power is applied in this instance the Arabs may be tempted to disregard it in others. Other Arab and Asian countries may become encouraged to nationalize Western assets, e.g. oil. But beyond that we see substantial arguments against the use of force by the United Kingdom, even if joined by France and the United States. These arguments (and questions) might be used by you in a reply to Eden.

3. Before deciding to use force, the first requirement would be definition of the objective, both military and political. The military objective could be the restoration of occupation of the Canal Zone by United Kingdom or Allied forces, together with Suez, Port Said and any other positions from which Egypt could attack those forces or frustrate the passage of merchant ships. In the new circumstances, merchant ships would become the ships of belligerents. The military objective could be the more general one of overthrowing the Egyptian Government or, alternatively, of forcing it into a frame of mind where it would be prepared to negotiate.

4. This course of action would undoubtedly result in the Western Powers being brought to the Security Council. Article 2 of the Charter requires members to settle their disputes by peaceful means and to refrain from the threat or use of force against the territorial integrity or political independence of any State. So long as Egypt commits no act of hostility, e.g. against the forces, ships or territory of other countries, the Western case would be a bad one.

5. What purpose would be achieved? Except under conditions of complete capitulation by Egypt and military occupation of the whole country, there would be continued attacks on the Canal. What is more important from our point of view, ships carrying our cargoes which are not at present being interfered with would become targets of war. There is further political objection that our friends in Asia (such as Pakistan) might find it impossible to continue to be sympathetic to West if it resorts to force.

TOP SECRET

CABLEGRAM. TOP SECRET

COPY NUMBER 5

-2-

0.10337/8

Defence's comments are:-

- (a) Should it be decided to use force, action must be prompt and immediately effective, and could only be undertaken by forces which could be deployed in the area at short notice.
- (b) The use of force would result in a heavy and indefinite commitment of forces in the Canal area to protect it, particularly from sabotage.
- (c) Such action could jeopardize the supply of oil through the pipelines through Syria and the Arab countries, which are sympathetic to Egypt. At the best the risk of sabotage would be greatly increased.

6. Perhaps the United Kingdom are calculating the effectiveness of a show of strength in order to induce Egypt to co-operate in some new international regime not yet defined. About this, we can only say two things:

- (a) The irrational fervour of Arab nationalism should not be underrated in calculating their response to threats;
- (b) the United Kingdom would have to judge very carefully what was the point of no return in a demonstration of strength.

If United Kingdom bluffs and bluff is called, United Kingdom will be in a far worse position.

7. Generally, we think that, with Australian long-term trade and communications interests in mind, the objective to be aimed for is some international regime and that the best foundations for Western policy aimed at this are:

- (1) Tough commercial and financial counter-measures for the Egyptian seizure of the Company (as a preliminary to further negotiation and also as security for payment in sterling for assets nationalized).
- (2) Maintenance of a common political front among United States, United Kingdom and France while they search for a solution.
- (3) Mobilization of whatever support can be found among Asian countries (particularly India) whose commercial interests are involved for efforts designed to restore not the status quo but the protections of internationalization.
- (4) Appropriate retaliation and legal action if and when Egypt makes the mistake of interfering with shipping.
- (5) Consideration should be given to using the United Nations as soon as Egypt exposes herself by any of her actions - not in the expectation of providing a final solution but as an indispensable preliminary to further action which the major Powers might later have to take if a negotiated settlement cannot be reached.

8. We are repeating to you telegram No. 177 from Heydon in Delhi. We see some prospects of constructive action if we take up Indian suggestion that discrimination against one user should be treated by others as discrimination against all. We might

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COPY NUMBER 5

-3-

0.10337/8

work towards collective assertion of this principle by a number of countries including India, Pakistan, Ceylon, and possibly Burma whose trade is so dependent on use of Suez route.

9. In short, our objective should be some international guarantee for unrestricted use of the Canal under reasonable conditions, such guarantee to be backed by Western power but with political support or at least acceptance from Asian countries.

10. This is how we see the situation at this juncture. We have not yet been told by the United Kingdom what their own appreciation is of the likely success of any course of action they may be considering nor have we yet received much information on the 3-Power discussions.

-----))

A/P.M. & P.M.'S. DEPT.
MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE

(COST £96.6.0)
2nd August, 1956.

SEC A/Ss DR. WYNES MR. LANDALE MR. BILLINGTON MR. BOOKER
MR. LAWREY MR. LOOMES MR. RENOUF

TOP SECRET

COMMONWEALTH OF AUSTRALIA.

TELEPHONE : CANBERRA U 0423.

TELEGRAMS :

SECTRADE, CANBERRA.

PLEASE ADDRESS REPLY TO "THE SECRETARY"

AND QUOTE.....

DEPARTMENT OF TRADE,
CANBERRA, A.C.T.

1st August, 1956.

TOP SECRET

37

MEMORANDUM to -

The Secretary,
Department of External Affairs,
CANBERRA.

Thanks for your note referring draft telegram to be despatched to the Prime Minister from Sir Arthur Fadden and Mr. Casey. I have only a few comments, but perhaps it would be as well for me to set these out so that you could look at them and then you might care to give me a ring.

Paragraph 7 to read:

"Generally we think that with Australian long term trade and communications interests in mind the objective to be aimed for is either some international regime or as a last resort some clearcut treaty commitment by Egypt to both maritime countries using the Canal and countries like Australia, India whose trade depends on its uses. Under these circumstances the best foundations for Western policy aimed at this are :

- (1) Tough commercial and financial action as a preliminary to negotiation and also as security for payments in sterling for assets nationalised. (This may involve concerted boycott of Canal to induce Egypt to accept internationalisation or at worst a satisfactory treaty situation.)
- (2) Maintenance of a common political front among United States, United Kingdom and France while they search for a solution.
- (3) Mobilisation of whatever support can be found among Asian countries (particularly India) whose commercial interests are involved for efforts designed to restore not the status quo but the protections of either internationalisation or an extended treaty obligation, either of which would give the grounds now lacking so far as most countries are concerned for appropriate legal action and retaliation if and when Egypt should make the mistake of breaking the rules of such international administration or treaty arrangement.
- (4) Delete.
- (5) No change.

*Exclude last
part to study.*

*Exclude second
all. last part to
study - as note on
implications.*

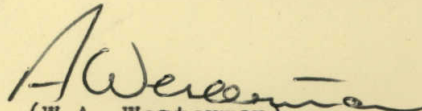
M. Landale

36

I have no comment on the rest of the draft. In making the above changes I feel that the concept of "retaliation" in your paragraph 7(1) is not tenable in view of what I understand to be the legal position or the position in the United Nations. As at the moment there does not seem to be a case for retaliation at all. Even the U.K. is unlikely to be on firm grounds unless Egypt did discriminate against her. Certainly so far as other countries are concerned they have no legal rights and therefore the idea of retaliation would be a fairly difficult one to sustain.

I think, however, the idea of internationalisation or of a treaty arrangement is sound to the extent that it is based on putting us all in the position where we have both the legal and the moral right to retaliate if Egypt takes a certain course of action.

I take it that your use of the term "international regime" includes either some kind of actual administration by an international body or a treaty subscribed to by a large group of countries. I have spelt it out in my suggested amendments to the draft.


 (W.A. Westerman)

Comments

Quite apart from treaty & convention, there are possible actions by the Egyptian Govt which would justify reference to the United Nations. If the Egyptian Govt. mal-treated British Subjects or created incidents in relation to British ships "a situation likely to endanger peace or cause international friction" could be quoted against them. This means that para 7(4) should stand as drafted, & not be linked to 7(3) as suggested on 10/5.

W.A.

146

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TOP SECRET

Following is summary of discussion at first meeting between the Foreign Secretary, M. Pineau and Mr. Robert Murphy.

The Foreign Secretary said that if Nasser were to get away with his action it would have following certain consequences:-

- (i) His prestige in the Middle East would be immensely strengthened;
- (ii) Pipeline transit countries would be likely to become more intransigent;
- (iii) There would be general Middle Eastern action against our oil supplies.

This may mean that N.A.T.O. and Western Europe were at the mercy of one irresponsible and faithless individual.

U.K. objectives were as follows:-

- (a) To establish operating arrangements under international control guaranteeing free navigation, reasonable dues and continuity of efficient administration;
- (b) To establish international control in form which will secure support of as many countries as possible and particularly of neutrals. Such support is most likely to be forthcoming if international control were established under auspices of the United Nations;
- (c) To ensure that the Suez Canal Company and its employees were fairly treated;
- (d) To ensure full respect for legitimate interests of Egypt, including fair financial return from the operation of Canal.

/We

We wished to concentrate on the fact that the Suez Canal was an international waterway rather than that the conflict arose out of the mere expropriation of Suez Canal Company.

M. Pineau agreed in general with the U.K. objectives. *Int*
Although the act of nationalisation was not of primary importance, the way in which it had been carried out was. The Company's shareholders should be properly compensated. The French Government objected strongly to the clause in the Nationalisation Law compelling the employees of the Suez Canal Company to continue working for the Egyptian Company under threat of imprisonment. We had the right to demand that Egypt withdraw the article as being contrary to International Law.

If Nasser's success were to be accepted it would be completely useless for France to continue the struggle in North Africa and this was a further argument for the French Government to consider counteraction.

Mr. Murphy said that the U.S. Government appreciated the gravity of the situation and deplored the violent and reckless language used by Nasser in the unilateral action which affected all maritime powers. The U.S. Government did not wish publicly to defend the position of the Suez Canal Company's shareholders, although they realised this might be important. The chief point to them was free access to the international waterway. The interests not only of the U.K., U.S., and France, but all other users should be considered as should the use of N.A.T.O. machinery. The support of friendly countries, including those east of Suez might be enlisted. Action by the International Court of Justice and the United Nations might be considered. The question of military intervention did not arise. It would in any case depend on developments and should be relegated to the background. The /Arab

Arab/Israel conflict should be segregated from the present issue. Action should be on the broadest possible base and try to carry world opinion with it. Attempts should be made to bring the case to an impartial tribunal. The provisions of the 1888 Convention should be studied carefully and invoked in support of our interests.

The Foreign Secretary said political and economic pressure was unlikely to have any effect on Nasser unless he knew that there were military sanctions in the background. There was the possibility that British nationals might be arrested or British shipping interfered with. United Kingdom policy therefore was to proceed with precautionary military preparations. He suggested a conference in London of powers with considerable interests in the Canal. We could either send a note to Egypt indicating the importance we attached to the Canal being an international waterway and then assemble a conference of users to endorse this note or alternatively send a note after a conference of users. Attendance at the conference might be on the basis of tonnage or trading interests or geographical areas. The Foreign Secretary was not in favour of the Secretary-General of the United Nations convening this conference and would prefer it to be convened by one or more of the United States, the United Kingdom and France.

M. Pineau did not agree with the United States approach to the problem which was political and not a legal issue. The problem was the direct result of the decision made by the United States Government not to finance the Aswan Dam. Nasser made no secret of his intentions and would not abide by a legal decision against him any more than he had abided by the Security Council decision not to obstruct the passage of Israeli ships through the Canal. M. Pineau agreed that a

/conference

conference of maritime powers should be convened and agreed with the Foreign Secretary on the military aspects of the problem.

No final decision was reached on who should be invited to the conference of maritime powers or who should send out the invitations.

If no action were taken Pineau envisaged three stages -

- (i) The Canal would be run efficiently with the present staff. Nasser would demand the payment of dues in Egypt.
- (ii) The dues would be raised moderately, but not so much that it would pay to send shipping round the Cape.
- (iii) Nasser would start discriminating and perhaps with the help of the U.S.S.R. embark on a campaign against Western oil interests.

32

TOP SECRET

Following is list of main points made at the second meeting of the Foreign Secretary with M. Pineau and Mr. Murphy.

Arab-Israel aspects:

Pineau said that his first reaction had been to make use of Israel, but he was now convinced that this would not be wise at the present stage. Murphy said that any indication that we intend to arm Israel would play into Nasser's hands. Pineau agreed. Murphy said that the United States Government had sent Note to the Canadian Government urging them to deliver F.86 fighters to Israel before the Canal crisis arose, but since the crisis had given them an oral indication that it would be unwise to make deliveries immediately. In the case of any future supplies of arms to Israel timing was most important. It was agreed that any deliveries promised or started should be carried out without undue delay and without publicity.

Soviet Reaction:

Pineau said that while he would not forecast, he was certain that the longer we waited the stronger Russian reaction was likely to be. Russia and Egypt had not yet reached complete agreement, but the problem would presumably be discussed during Nasser's visit to Moscow starting on the 12th August. He thought we must reach a decision on the Canal before the Russians and Egyptians reached agreement. The Foreign Secretary raised the question whether Russia should be invited to the conference of maritime powers and said we did not wish to give her an excuse for posing as a champion of the Arab world. Pineau and Murphy were against inviting her.

Canal Company's assets:

Assets in France and Britain, but not those in the United States, had been frozen. Egypt had no right to

exercise control over assets which were under jurisdiction of another Government. Significance of removal of Egypt from Transferable Account Area was explained. The question of France freezing Egyptian assets did not arise as France did not have any.

Payment of Canal dues:

30

It was agreed not to seek to divert traffic around the Cape and that the payment of dues raised complications which needed further study.

Canal Company employees:

Pineau said the Canal Company employees could not be advised to disobey the Egyptian Government since this would land them in gaol. They might, however, all apply for permission to leave. Such permission would not be granted and the Egyptian Government would then be committing an act of force. The Foreign Secretary said that there were 61 British pilots. If they were withdrawn we might be accused of stopping the right of free passage through the Canal. Alternatively it could be said that Nasser was only able to carry out the 1888 Convention by forcing the employees to continue working which was against human rights. It was agreed it would be possible to continue operating the Canal without pilots at some risk to shipping.

Further consideration is being given to -

- (a) Countries which should be invited to the conference of maritime powers;
- (b) The question of the payment of dues;
- (c) Fresh instructions should be sent to Canal Company employees.

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TOP SECRET

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TOP SECRET

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DEPARTMENT OF EXTERNAL AFFAIRS **TOP SECRET**
INWARD CABLEGRAM COPY NUMBER 29

MB:HMCC

I.10010/11

Dated: 30th July, 1956.
2241

Rec'd: 31st July, 1956.
1750

FROM:-

Australian Embassy,
WASHINGTON.

23

735. TOP SECRET. PRIORITY.

Repeated for External London 68 , Australian Mission to the United Nations 173.

Suez Canal.

We discussed the situation today with Wilkins and Geren Director and Deputy Director near Eastern Affairs. (Rountree is incommunicado for the next day or two).

2. As preliminary they emphasized that the United States influence in London consultations would be on the side of caution and restraint. The United States had little disposition towards such measures as the use of force against Egypt. Sanctions (including Economic) were not desirable (implication being at any rate at this stage). Principal United States current concern was setting up the next stage of consultation rather than determining specific means for preserving the status of the Canal. Various bodies had been considered for such consultations including United Nations, N.A.T.O. and tripartite group but the United States felt there were considerable drawbacks to all these and that the group suggested in paragraph 3(b) below would be more appropriate.

3. Wilkins then told us of top secret instructions (G.I.S.T. in (A) to (E) below). Just sent to Murphy in London for oral presentation to the United Kingdom and France. He emphasized instructions did not represent fixed United States position but indicated current United States thinking, United Kingdom and French reactions to which the United States sought.

(a) It was not considered desirable to present Egypt with an ultimatum to force reversal of the Nationalization decision...Nasser would be unlikely to back down and war would be inevitable.

(b) Instead it was suggested a meeting might be called, within two weeks or so, of the subsisting signatory States of the 1888 Convention (pursuant to Convention Article VIII) together with about twelve selected States having major interest in the Suez Canal with a view to bringing about dependable regime of Administration of the Canal. Meeting to be called by three or four subsiding States. Venue not London or Paris or Cairo. Non-signatory States to be selected on Criteria which would include tonnage of Shipping and volume of trade through the Canal and adequate geographical representation so that Egypt could not abstain on the grounds that the Conference was weighted against it.

(c) Objective of the Conference would be to ensure open, secure and efficient operation of the Canal as International Waterway. Proposed procedure would avoid reference to United Nations where matter might be

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DEPARTMENT OF EXTERNAL AFFAIRS **TOP SECRET**
INWARD CABLEGRAM COPY NUMBER.....

-2-

I.

indefinitely bogged down.

- (d) The United States did not see how the Soviet could object to the Conference and assumed Soviet attendance. This was not expected to prevent Conference giving overwhelming support to setting up "stable administration having some International element".
- (e) If Egyptian defied the Conference or rejected its proposals there would be "broader basis for other action by interested countries", free of implications that they were simply supporting Canal Company owners for reasons unconnected with preservation of the Canal as International Waterway.

22

4. Geren listed as background to United States position the following additional considerations:

- (a) United States recognition of extreme seriousness of "seizure" of installations of the Suez Company.
- (b) Wide implications extending beyond Company owners to users of the Canal, Shippers, Maritime Nations, etc.
- (c) United States emphasis was not on Nationalisation angle but on preservation of the status of the Canal as an "International Public Utility". The United States in fact although not saying so publicly recognized the right of the Sovereign Nation to nationalize the Company. It was "legally admissable but politically intolerable".
- (d) The United States was watching closely for signs that the Canal was not being properly operated but so far Shipping was moving freely.

5. In answer to question Wilkins said the United States shared doubts expressed elsewhere that adequate guarantee of status of Canal as International Waterway could be secured under sole Egyptian control.

6. Dulles has no present intention of attending current London consultations.

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
P.M'S.

(T/TYPED TO MINS & DEFENCE)

1st August, 1956.

SEC A/Ss DR. WYNES MR. LANDALE MR. BILLINGTON MR. BOOKER
MR. LOVEDAY MR. LOOMES

TOP SECRET

TOP SECRET

AHT/SCB

31st July, 1956

Acting Secretary,
Prime Minister's Department,
CANBERRA

21

Attached draft telegram will be submitted to the Minister for External Affairs at noon on Wednesday for discussion with Acting Prime Minister. We should be glad to know urgently whether your Department's interests are adequately covered.

(A. H. Tange)
Secretary

Also sent :

Secretary,
Department of Defence.

(Teleprinter)

Acting Secretary
Department of Trade.

M. J. Anderson

Mr. Ballington

copy

TOP SECRET

Copy No. 3 of 3.
TOP SECRET

AHT/SCB

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Secretary

Also sent :

Secretary, (*By teleprints*)
Department of Defence.

Acting Secretary (*By Memo*)
Department of Trade.

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TOP SECRET

Copy No. ⁴ of 5

DRAFT CABLEGRAM TO AUSTRALIAN EMBASSY, WASHINGTON

TOP SECRET

19

For Prime Minister from Fadden and Casey

1. We do not have precise text of message Eden sent you. We understand that he has said it is necessary to contemplate the use of force in the last resort in the Suez situation.
2. We recognize that British and (to a large extent) Western prestige and influence in North Africa, the Middle East and Asia are involved and that unless Western power is applied in this instance the Arabs may be tempted to disregard it in others. Other Arab and Asian countries may become encouraged to nationalize Western assets, e.g., oil. But beyond that we see substantial arguments against the precipitate use of force by the United Kingdom, even if joined by France and the United States. These arguments (and questions) might be used by you in a reply to Eden.
3. Before deciding to use force, the first requirement would be definition of the objective, both military and political. The military objective could be the restoration of occupation of the Canal Zone by United Kingdom or Allied forces, together with Suez, Port Said and any other positions from which Egypt could attack those forces or frustrate the passage of merchant ships. In the new circumstances, merchant ships would become the ships of belligerents. The military objective could be the more general one of overthrowing the Egyptian Government or, alternatively, of forcing it into a frame of mind where it would be prepared to negotiate.
4. This course of action would undoubtedly result in the Western Powers being brought to the Security Council. Article 2 of the Charter requires members to settle their disputes by

TOP SECRET

2.

peaceful means and to refrain from the threat or use of force against the territorial integrity or political independence of any State. So long as Egypt commits no act of hostility, e.g. against the forces, ships or territory of other countries, the Western case would be a bad one. 18

5. What purpose would be achieved? Except under conditions of complete capitulation by Egypt and military occupation of the whole country, there would be continued attacks on the Canal. What is more important from our point of view, ships carrying our cargoes which are not at present being interfered with would become targets of war. There is further political objection that our friends in Asia (such as Pakistan) might find it impossible to continue to be sympathetic to West if it resorts to force.

6. Perhaps the United Kingdom are calculating the effectiveness of a show of strength in order to induce Egypt to co-operate in some new international regime not yet defined. About this, we can only say two things:

- (a) The irrational fervour of Arab nationalism should not be underrated in calculating their response to threats;
- (b) the United Kingdom would have to judge very carefully what was the point of no return in a demonstration of strength.

If United Kingdom bluffs and bluff is called, U.K. will be in a far worse position.

7. Generally, we think that, with Australian long-term trade and communications interests in mind, the objective to be aimed for is some international regime and that the best foundations for Western policy aimed at this are:

3.

- (1) Tough commercial and financial retaliation for the Egyptian seizure of the Company (as a preliminary to further negotiation and also as security for payment in sterling for assets nationalized).
- (2) Maintenance of a common political front among United States, United Kingdom and France while they search for a solution.
- (3) Mobilization of whatever support can be found among Asian countries (particularly India) whose commercial interests are involved for efforts designed to restore not the status quo but the protections of internationalization.
- (4) Appropriate retaliation and legal action if and when Egypt makes the mistake of interfering with shipping.
- (5) Consideration should be given to using the United Nations as soon as Egypt exposes herself by any of her actions - not in the expectation of providing a final solution but as an indispensable preliminary to further action which the major Powers might later have to take if a negotiated settlement cannot be reached.

8. We are repeating to you telegram No.177 from Heydon in Delhi. We see some prospects of constructive action if we take up Indian suggestion that discrimination against one user should be treated by others as discrimination against all. We might work towards collective assertion of this principle by a number of countries including India, Pakistan, Ceylon, and possibly Burma whose trade is so dependent on use of Suez route.

9. In short, our objective should be some international guarantee for unrestricted use of the Canal under reasonable conditions, such guarantee to be backed by Western power but with political support or at least acceptance from Asian countries.

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS.

COPY NUMBER.....⁵

INWARD CABLEGRAM.

JG:HP

I.10002

FROM:

Dated: 31st July, 1956.

0028

Rec'd: 31st July, 1956.

1230

Australian Legation,
CAIRO.

140. TOP SECRET.

From Cutler.

Your telegram 132.

Register of Australian citizens forwarded last bag showing 25 in Cairo and 11 in the Canal Zone. Only ones connected with Suez Canal Company are two wives of pilots of other nationalities and are included in total 36.

2. United Kingdom emergency plans since withdrawal of British troops assumes co-operation of the Egyptian authorities in facilitating evacuation by air to Cyprus, short term plan is for United Kingdom citizens to remain indoors.

3. We maintain close co-ordination with the United Kingdom Embassy and I fully agree with the general plan. The evacuation theme from Port Said or Alexandria most doubtful and control of public order may not be so good as in Cairo. Evacuation by air from Cairo the only practicable plan.

4. Canal area quiet. I do not anticipate immediate danger to Australians in Egypt. The United Kingdom Embassy takes the same view regarding their citizens. Nasser anxious to preserve appearance of legality and he is in full control and in position to stop outbreak of violence. No anti-British demonstrations to date.

5. If emergency arose extra funds in cash are essential because of Egyptian Government's increased freezing of funds. Preliminary action taken against United Kingdom Embassy funds indicates possibility of Commonwealth Missions being affected if the position deteriorates. I intend drawing two thousand pounds in cash 31st July. Please give covering approval for this and permission to increase to £4,000 if necessary. Also remit £4,000 to cover this. I regard this as a precautionary measure only and am hopeful the situation will not require its use but if emergency develops cash will be essential.

Min. & Dept. of External Affairs.
" " " " Immigration.
P.M.'s.

Teletype to Minister's
Office.

31st July, 1956.

SEC A/Ss DR.WYNES MR.LANDALE MR.STUART

TOP SECRET

DEPARTMENT OF EXTERNAL AFFAIRS. **TOP SECRET**
INWARD CABLEGRAM. COPY NUMBER 21

DLB:HMcC

I.9959

Dated: 30th July, 1956.
1945

Rec'd: 31st July, 1956.
0830

FROM:-

Australian Embassy,
P A R I S.

15

233. TOP SECRET.

Repeated London Saving 64 Cairo Saving 11.
Suez.

You will have had direct reports from London of the three Power meeting. According to the American Ambassador in Paris Dillon, Pineau told the meeting yesterday (29th July) that France would be prepared if necessary to take some of her troops out of Algeria feeling that a check to Nasser would help the French position in North Africa.

2. This may be related to press report this evening that the resident Minister Lacoste is returning to Paris from Algiers for Cabinet meeting 1st August.

Stirling.

(T/TYPED TO MINS & DEFENCE)

MIN. & DEPT. E.A.
MIN. & DEPT. DEFENCE
P.M'S.

31st July, 1956.

SEC A/Ss L&T(DIV.5) MR. LANDALE MR BILLINGTON
MR. QUINN MR. LAWREY MR. LOOMES MR. BOOKER

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MS

DEPARTMENT OF EXTERNAL AFFAIRS. **TOP SECRET**
INWARD CABLEGRAM. COPY NUMBER 16

AS:SHA

I.9952.

Dated: 30th July, 1956.
1835
Recd.: 31st July, 1956.
0830

FROM:

Australian High Commission,
LONDON.

2079.

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IMMEDIATE.

For Tange from McCarthy.

Your telegram 1710.

The Commonwealth Relations Office, including Home, have been told by Eden not to distribute the actual wording of his message. He sent it to the four Prime Ministers only and is apparently uneasy over reference to possible use of force in the last resort, possibly (though we have very little to go on) in the light of the expected American attitude. I see difficulty in the circumstances of the moment in approaching Eden direct.

2. McIntyre and I have read it and are satisfied that there is nothing in it which would convey more to you than my 2076 read in conjunction with 2074.

3. We hope to learn something of the talks with the Americans and French later today.

MIN. & DEPT. E.A. (T/T Minister, Melb.)
MIN. & DEPT. DEFENCE (T/T Defence Melb.)
P.M.'s

31st July, 1956.

SEC A/Ss L&T(DIV 5) MR LANDALE MR BILLINGTON MR QUINN
MR LAWREY MR LOOMES

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DRAFT.

NATIONALISATION OF THE SUEZ CANAL

POLITICAL IMPLICATIONS OF THE USE OF FORCE

BASIC ASSUMPTION.

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The United Kingdom Government is considering the use of force to ensure the free use of the Suez Canal. We have as yet no indication of United Kingdom views on how and when force should be applied and therefore we are basing this assessment on the assumption that a major military operation is contemplated involving the bombing of Egyptian airfields, the seizure of Port Said and Suez and the protection of the whole length of the Canal. We also assume that the United States and France will actively participate in any operation mounted.

REACTION OF THE COMMUNIST BLOC.

We do not believe that the Communist bloc will use such an occasion as a pretext for global war. However, we consider that the Communist bloc will give full moral support to Egypt and any covert support which would not be readily identifiable as coming from the bloc.

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LIKELY REACTION OF ARAB COUNTRIES AND ISRAEL.

(N.B. United Nations aspects will be dealt with later.)

(a) Egypt.

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It seems likely that Egypt will resist any military action taken to protect the Canal zone and will call upon other Arab States, within the Arab League, to honour their obligations. The Egyptian Government may also incite Arabs throughout the whole area to perpetrate acts of violence against European nationals and property.

(b) Iraq and Iran.

As members of the Baghdad Pact it seems likely that Iraq and Iran will take no positive action to support Egypt. Iraq at least may feel compelled to take a strictly neutral line.

(c) Syria.

Syria will definitely align itself with Egypt and may attempt to give military support though we do not think this would prove very effectual.

(d) Jordan.

Jordan will probably feel compelled to make some overt gesture to Egypt which may take

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the form of token abrogation of the Anglo/
Jordanian Treaty but she will endeavour to keep
a loof. 11

(e) Saudi Arabia.

Saudi Arabia will publicly support
the Egyptians and may attempt with Yemeni co-
operation to incite trouble in the Aden protectorate
and elsewhere to harass United Kingdom interests
in the Arabian Peninsula. It would however be
consistent with Saudi duplicity for Saud to hope
for Nasser's downfall which would enhance his own
position in the Arab World.

(f) Lebanon.

Lebanon is a traditional fence-sitter
and will pay lip service to Egypt until she is
certain of the winning side.

(g) Libya and Sudan.

Outwardly they would give some moral
support to Egypt. Libya is unlikely to take hostile
action against the British bases in Libya.

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(h) French North Africa.

Tunisia and Morocco will give open moral support to Egypt, but nothing more. Tunisia may take this opportunity to increase their clandestine aid to the Algerian rebels.

(i) Israel.

There appear to be three possible courses of action open to Israel:

- (i) to leave the initiative to the Western Powers whose interests in this issue at certain points are identical with Israel's;
- (ii) to take advantage of Arab preoccupation to extend her frontiers by overt military action;
- (iii) to offer military support to the Western Powers.

It is too early to predict which alternative will be adopted by Israel.

BAGHDAD PACT.

We have already dealt with Iraq and Iran. Turkey will give open support to the West. Pakistan, as a Moslem Power, would find it difficult to give support openly to the West but privately

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would approve any action by the West to ensure the free use of the Canal.

REACTION OF NEUTRALISTS.

For these countries there will be a conflict between the principles to which they subscribed at the Bandung Conference and their self-interest in the continued free use of the Canal. They can be expected, therefore, as Indonesia already has done, openly to support Egypt and to condemn Western action and will probably accept Egypt's assurance, already given, that she will in no way interfere with the smooth operation of the Canal. Under Indian leadership they will probably try to get the dispute settled by peaceful means either through the United Nations or by international negotiation.

WESTERN REACTIONS.

It can be assumed that the Western Powers to a varying degree will support resort to force by the United Kingdom, United States and France if this should prove necessary.

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AUSTRALIAN POSITION.

On the assumption that Australia will openly approve of military action we feel that its relations with some Asiatic countries may be affected.

UNITED NATIONS CONSIDERATIONS.

From the standpoint of United Nations considerations the political consequences of the use of force (without United Nations sanction) against Egypt in connection with the present Suez Canal situation would be extremely serious indeed.

- (a) Article 2 of the Charter obliges all Members to settle their disputes by peaceful means and to refrain "from the threat or use of force against the territorial integrity or political independence of any state".
- (b) Therefore use of force instead of resort to means of pacific settlement is contradictory to membership of United Nations.
- (c) By using force the Western Powers would have committed a breach of the peace which the Security Council could not possibly ignore.

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- (d) The use of force would be condemned by the great majority of the Members of the United Nations and would deal a most serious blow to the prestige and influence of Western Powers.
- (e) The anti-Western tendencies and anti-Colonial attitudes of the Asian-African bloc in the United Nations (and outside it) would be intensified; neutralist tendencies in United Nations questions would be boosted; moderates would lose influence and probably have to conform with the majority of this bloc; and Commonwealth members of Asian-African group would be torn between that group and the Commonwealth with a danger of splitting the Commonwealth group.
- (f) The position of the Commonwealth group in the United Nations would be gravely weakened and interests of individual members of the Commonwealth group at stake in United Nations would be adversely affected. (E.g. West New Guinea).

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- (g) Use of force by a permanent member with Security Council or General Assembly sanction would be a step of the utmost gravity in itself and it might well lead to destructive schisms in the United Nations as a whole. The global political consequences are incalculable. 6

CONCLUSIONS:

On the assumption that the United Kingdom, United States and France will mount a major military operation to seize the whole of the Canal zone, we consider that :

- (a) The Communist Powers will not use this as a pretext for a global war but that they will give full moral support to Egypt and any covert support that will not implicate them;
- (b) the Arab countries will certainly lend Egypt moral support but probably only Syria and to a lesser extent, Saudi Arabia, will be prepared to lend military support;
- (c) although privately some of the neutralist countries may feel concerned over the

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Egyptian control of the canal, in public they are likely to condemn the West and work towards a peaceful settlement either through the United Nations or by international negotiation;

- (d) the Western Powers, particularly the maritime powers, can be relied on to preserve a common front with the Big Three;
- (e) the use of force without United Nations sanction would be condemned in the United Nations by the majority of members. The anti-Western tendencies and anti-Colonial attitudes of the Asian-African bloc in the United Nations would be intensified. Neutralist tendencies in the United Nations questions would be boosted; moderates would lose influence and probably have to conform with the majority of this bloc; and Commonwealth members of the Asian-African group would be torn between that group and the Commonwealth with a danger of splitting the Commonwealth group. The position of the Commonwealth group in the United Nations would be gravely weakened. Use of force

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by permanent members with ^{edit} Security Council
or General Assembly sanction would lead to
destructive schisms in the United Nations.

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(without UN sanction)

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From the standpoint of ~~the~~ United Nations, the political consequences of the use of force against ^{considerations} Egypt in connection with the present Suez Canal situation would be extremely serious indeed.

3

- 1.a Article 2 of the Charter obliges all Members to settle their disputes by peaceful means and to refrain "from the threat or use of force against the territorial integrity or political independence of any state".
- 2.b Therefore use of force instead of resort to means of pacific settlement is contradictory to membership of U.N.
- 3.c By using force the ~~United Kingdom~~ ^{Western Powers} would have committed a breach of the peace which the Security Council could not possibly ignore.
- 4.d The use of force would be condemned by the great majority of the Members of the U.N. and would deal a most serious blow to ~~United Kingdom~~ ^{of the Western Powers} prestige and influence. ^{of Western Powers}
- 5.e The anti-Western tendencies and anti-Colonial attitudes of the Asian-African bloc in the U.N. (and outside it) would be intensified; neutralist tendencies in U.N. questions would be boosted; moderates would lose influence and probably have to conform with the majority of this bloc; and Commonwealth members of the Asian-African group would be torn between that group and the Commonwealth with a danger of splitting the Commonwealth group.
- 6.f The position of the Commonwealth group in the U.N. would be gravely weakened/and interests of individual members of the Commonwealth group at stake in U.N. would be adversely affected. (e.g. West New Guinea).
- 7.g Use of force by a permanent member without Security Council or General Assembly sanction would be a step of the utmost gravity in itself and it might well lead to destructive schisms in the U.N. as a whole. The global political consequences are incalculable.

From the standpoint of ~~the~~ United Nations^{considerations}, the political consequences of the use of force against Egypt in connection with the present Suez Canal situation would be extremely serious indeed.
(without UN sanction)

2

1. Article 2 of the Charter obliges all Members to settle their disputes by peaceful means and to refrain "from the threat or use of force against the territorial integrity or political independence of any state".
2. Therefore use of force instead of resort to means of pacific settlement is contradictory to membership of U.N.
3. By using force the United Kingdom would have committed a breach of the peace which the Security Council could not possibly ignore.
4. The use of force would be condemned by the great majority of the Members of the U.N. and would deal a most serious blow to United Kingdom prestige and influence.
5. The anti-Western tendencies and anti-Colonial attitudes of the Asian-African bloc in the U.N. (and outside it) would be intensified; neutralist tendencies in U.N. questions would be boosted; moderates would lose influence and probably have to conform with the majority of this bloc; and Commonwealth members of the Asian-African group would be torn between that group and the Commonwealth with a danger of splitting the Commonwealth group.
6. The position of the Commonwealth group in the U.N. would be gravely weakened and interests of individual members of the Commonwealth group at stake in U.N. would be adversely affected. (e.g. West New Guinea).
7. Use of force by a permanent member without Security Council or General Assembly sanction would be a step of the utmost gravity in itself and it might well lead to destructive schisms in the U.N. as a whole. The global political consequences are incalculable.

WDF
30/7.

→ Mr. Gadhafi in Buckingham
was

FM

29th July, 1956.

SUEZ CANAL
SOME HASTY OBSERVATIONS FROM U.N. ANGLE.

THE SECRETARY

✓ Mr. Kevin *um*

Mr. Renouf

Cutler's 137 suggests forcible reoccupation would lead to fighting.

The excited state of French opinion is reflected in Stirling's 228 - reoccupation of Canal Zone by Britain - but view that action by force would unite Asia against the West is sound.

West has to do something, but should not unilateral use of force be definitely ruled out? McCarthy's 2076 is alarming in this respect.

More reassuring is McCarthy's 2074, Eden's apparent willingness to contemplate some "group" solution including Egypt.

I think line in para. 5 of our 1703 to London (examine possibility of an international regime) is the right line.

We could probably, with U.S. support, get a satisfactory arrangement (for holding situation and basis for permanent arrangement) through U.N. (Assembly at a pinch; S.C. more manageable, particularly if matter put as situation not dispute (Article 34 - under 27.3 parties lose vote on a dispute).

W.D. Forsyth.
Assistant Secretary.
Division II.

McDonald
um